Asset managers have their answer: 45% of retirement funds can be invested offshore

The National Treasury today published the final amendments to Regulation 28 of the Pension Funds Act. To this extent, the amendments stipulate that retirement funds can move 45% offshore.

Source: Pixabay

To further facilitate the investment in infrastructure and economic development, the limit between hedge funds and private equity has been split.

There will now be a separate and higher allocation to private equity assets, which is 15% increased from 10%.

A limit of 25% has been imposed, across all asset classes to limit exposure of retirement funds to any one entity (company), not just infrastructure.

One exception to the per-entity limit, however, is debt instruments issued by, and loans to, the Government of the Republic and any debt or loan guaranteed by the Republic.

The asset allocation to housing loans granted to retirement-fund members will be reduced from 95% to 65% in respect of new loans only. This is meant to curb fund members abusing the housing loan scheme.

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As part of aligning various regulatory approaches and achieving consistency, only investments in hedge funds approved by Collective Investment Schemes Control Act (CISCA) will be permitted.

"The regulations widen the scope of potential investments for retirement funds but continues to leave the final decision on any investment to the trustees of each fund, who determine the investment policy for any fund," says National Treasury in a short explanatory note to the gazetted changes.

"Retirement funds will continue to be prohibited from investing in crypto assets. The excessive volatility and unregulated nature of crypto assets require a prudent approach, as recent market volatility in such assets demonstrates."

The amendments will take effect on 3 January 2023, to enable regulators and fund managers to comply with the new regulations.