



The Journey

momentum
consultants & actuaries

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Prescribed Assets for Retirement Funds

Introduction

Once again, the introduction of prescribed assets as a way of channeling retirement fund savings into meeting South Africa's national developmental objectives has become a national discussion point. As citizens and as stake holders within the retirement fund industry, we recognise the need to invest into the real economy of South Africa. However, the mechanism for such investment remains one of the main discussion points.

Where is the discussion at present?

Notwithstanding the fact that the proposal to introduce prescribed assets for retirement funds was debated at a Parliamentary session on 10 September 2019, it is a principle that is only a discussion point at this stage. There is strong industry opposition to the principle of prescribed assets which is based on the views that prescription:

- limits the right of retirement funds to make their own fund-specific decisions around asset allocation and stock selection;
- limits the ability of retirement funds to manage the risk of their portfolios;
- conflicts with the fiduciary duty of a retirement fund which is to protect and grow members' assets, although the industry recognise that we cannot maximise short term performance while putting the sustainability of our futures at risk; and
- would likely discourage investors from investing in the formal retirement system –the most cost-effective way of saving for retirement.

What are we doing for you?

While the principles of prescription are being debated, it is important to note that we are integrally involved in these discussions and representing the views that protect the interests of our clients, while also fulfilling the role of an active and responsible citizen. Some of the ways in which this is being done are as follows:

- we are opposed to prescription, but we support responsible and sustainable investing.
- we form part of industry bodies such as ASISA and the IRFA where we are engaging with the policy maker and regulator and expressing our opinions according to what we believe to be in the best interests of our clients.
- our Group's asset manager, Momentum Investments, will continue to invest in real assets and in a responsible manner. Momentum Investments also ensures sound governance within their investments and play an active role in ensuring the sustainability of the environment. Momentum Investments is a signatory to the United Nations Principle for Responsible Investment (UNPRI) and the recently released UNPRI annual assessment results were very positive.

What must you as a trustee or advisory body member and your members do?

Firstly, remain invested. Prescribed assets are only a discussion point at this stage and there is no certainty that it will find its way into our retirement funding system. A knee jerk reaction may well be to your detriment. Secondly, keep making contributions to your fund. Retirement funds are the most cost-effective vehicle of saving for retirement and it is often difficult to remain disciplined in saving for retirement outside of a formal savings vehicle.

We will keep you updated of any further developments regarding the prescribed assets discussion, but should you have any additional questions, please feel free to contact your Momentum Consultants and Actuaries consultant.

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