

# *Goals for 2010 & beyond*

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2010 PLA CONFERENCE - SPIER - WESTERN CAPE  
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*Topic* The new draft Regulation 28 – Prudential  
Investment Guidelines for Retirement Funds



# ICA 2010 KEYNOTE SPEAKERS ASKED:

- WHY DIDN'T ACTUARIES PREVENT THE CRISIS?
- WHAT ARE YOU DOING TO PREVENT THE NEXT CRISIS?

# REGULATION 28: WILL IT PREVENT THE NEXT CRISIS?

## Agenda

- Investment 101: Matching assets & liabilities
- Regulator's oversight: Rules or principles?
  - Looking Back
  - Proposed changes
  - Industry reactions

# MATCHING ASSETS & LIABILITIES

- Purpose of funds – Retirement, death and other benefits
- Purpose of investing – At least match liabilities
- Different funds → Different liabilities → Different investments
- DB vs DC → Difference includes guarantees
- Retail vs Employment-based → Difference includes member needs
- Should the regulator get involved?
- Leave it to the actuaries and their models?

# RULES OR PRINCIPLES?

## RULES

- Glass Seagall Act
- 2<sup>nd</sup> King Code of Governance
- Older Professional Codes
- Bankers remuneration

## PRINCIPLES

- Repeal of Glass Seagall Act
- 3<sup>rd</sup> King Code of Governance
- Newer Professional Codes

“The limitations of a pure principles based regime have to be recognised ... a principles based approach does not work with individuals who have no principles.” *HectorSants, FSA CEO, 2009*

# LOOKING BACK

- Funds had to hold 50% Prescribed Assets until 1982
  - Regulation 28 then filled the void
  - Principles-based draft considered but rejected
    - Served us well?

*The current draft has urgent amendments only.*

*A holistic review is part of Pensions Reform.*

## PROPOSED CHANGES include ...

- Funds offering choice must comply at member-level
- Funds must look through structured investments to underlying assets
- Credit rating of assets introduced
- Islamic ‘equivalent’ liquid assets defined
- Derivatives and asset lending allowed for efficient portfolio management
- Property trusts classified as equity
- Linked insurance policies must comply
- Offshore limited to 20% plus another 5% into Africa

# But PROPOSED CHANGES exclude ...

- Environmental / Social / Governance issues
- Regulation of hedge funds
- Exchange Traded Funds



SYSTEMS



COMPLIANCE



MATCHING



THE  
LOT!



SURVIVAL

ENSION LAWYERS  
ASSOCIATION

*Goals for 2010 & beyond*

# Treasury Road Show

Treasury acknowledged

- inherited an imperfect rules-based system
- past relationships with industry not ideal
- industry is at the coal-face of these issues

They genuinely want to consult whether the draft gives effect to their intentions.

12000 funds must reduce to 500 before principles based regulation will work

*Thank you*  
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