P.F. 7

FINANCIAL INSTITUTIONS OFFICE,
Private Bag X238,
PRETORIA.

12 December 1974.

CIRCULAR NO. P.F.25
(To all privately administered pension funds).

A. APPROVAL IN TERMS OF SECTION 19(1)(h) OF THE PENSION FUNDS ACT 1956.

1. Bantu Affairs Administration Boards established in terms of the Bantu Affairs Administration Act, 1971 (Act No. 45 of 1971), have been approved by me in terms of section 19(1)(h) of the Pension Funds Act, 1956. Investments in bills, bonds or securities issued by such Boards should be included in Statement 3 of Schedule "D" of the annual returns of pension funds.

B. INVESTMENTS IN UNITS OF UNIT TRUST SCHEMES.

2. On representations from the Association of Mutual Funds the Minister has agreed that, in view of the obligation on unit trust schemes to invest in Government and other approved securities, pension funds may for the purposes of sections 19(1) and 19(7) of the Pension Funds Act, 1956, deem their investments in units of unit trust schemes to be -

   (a) investments in assets of the classes mentioned in section 19(1) to the extent of 15% of the value of the units, and

   (b) investments in bills, bonds or securities issued by the Government of the Republic to the extent of 7½% of the said value.

3. This concession takes effect as from the date of this Circular. Covering legislation will be introduced with retrospective effect during the next session of Parliament.

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C. INVESTMENT IN FIXED PROPERTY.

4. The Minister has reconsidered the policy in regard to the investment in fixed property by pension funds, as set out in Circular P.F. 23, and has authorised this Office to consider applications for an increase of the 5% limit, referred to in paragraph 1 of that Circular, to approximately 10% in deserving cases.

5. Circular P.F. 23 has also been amended by -

   (a) the substitution for subparagraph (a) of paragraph 3 of the following subparagraph:

   "(a) a company is deemed to be a 'property company' if its main assets consist of fixed property, whether such property is held directly by the company as registered owner, or indirectly by way of ownership of the shares of the company which is the registered owner or which controls the company which is the registered owner of the property;";

   (b) by the substitution for paragraph 6 of the following paragraph:

   "6. It is accepted that investing in and letting a fixed property is pension fund business. Pension funds are urged, however, to exercise caution when letting fixed property. Apart from satisfying itself in regard to the financial soundness of a lessee, a fund should endeavour to keep the number of lessees of any particular property as low as possible and to arrange the leases for relatively long periods."

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6. A copy of this Circular is enclosed for the Fund's auditor. Please hand it to him and return the attached acknowledgement of receipt, duly signed.

REGISTRAR OF PENSION FUNDS.
/MS