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Our ref: 12/12/1
Date: November 1996

CIRCULAR PF NO. 89

(To all self-administered funds or their administrators (where applicable) and the administering insurers of funds exempted in terms of section 2(3)(a) of the Act)

PENSION FUNDS ACT, 1956 : AMENDMENT OF REGULATIONS 28 AND 30

1. You are hereby informed that Government Notice No. R.1677 published in the Government Gazette No.17500 and the Regulation Gazette No.5764 of 18 October 1996 contain the amendments for Regulations 28 and 30 of the Regulations made under the Act. These amendments came into operation on the date of publication.

2. The effect of the most important amendments are briefly elucidated hereunder :-

   (a) the lay-out of Annexure B to Schedule I was amended in order to compare the bookvalues (Paragraphs A - B) with the fair values of the same investments (Paragraph D);

   (b) the South African Future Exchange, (with deposits limited to a maximum of 5%), was added to the deposit-taking institutions;

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(c) paragraph 2(a)(i) of the Regulation allows for the investments in unit trust schemes which comply with the distribution requirements of assets in the Annexure, certified as prescribed in paragraph 2(c) of the Regulations, to be treated the same as investments in policies of insurance that similarly complies as indicated in paragraph 2(a)(ii)(aa) and (bb) of the Regulations;

(d) the value of policies of insurance and unit trusts that are excluded for the purposes of calculating the percentage of investments in the various categories of assets, are included for the purpose of determining the percentage invested in deposits and balances in current and savings accounts with deposit-taking institutions in terms of paragraphs 2(a)(i) and (ii) of the Regulations; and

(e) a fund may now invest up to a maximum of 10% of its assets offshore with the approval of the South African Reserve Bank. The Annexure indicates the categories or kinds of assets and the maximum percentage of investments allowed in these categories. Further issues in respect of offshore investments are -

(i) fair value applies also to the investments outside the Republic;

(ii) "recognised exchanges" referred to in paragraph 4(c) of the Regulations will be published by way of a notice in the Government Gazette from time to time. The first list has appeared in Government Gazette No. 17545 of 8 November 1996 under General Notice 1575 of 1996;

(iii) foreign investments in unquoted assets are limited to investments in the territories "recognised by the registrar" determined with reference to Regulation 28(4)(c)(ii). These territories will initially be the territories in which the recognised exchanges are situated; and

(iv) compliance with the provisions of sub-sections (2) and 3(d) of section 5 of the Act whereby the foreign assets are to be registered in the name of the fund or in the name of an <u>approved</u> nominee company.

3. Regulation 30(b) was amended to add to the provisions in the regulation the requirement that the rules shall also contain the dates of the first and subsequent financial year-ends. It has the effect that any change of a year-end will have to comply with the provisions of section 12 of the Act before any change will be valid.

4. The disclosure of the taxation on certain income of retirement funds in the financial returns , introduced through the Tax on Retirement Funds Act, 1996, caused numerous enquiries as these returns have not been amended to allow for the taxation. It was decided that, in the interim, taxation should be disclosed as follows :

(a) Tax payments : These payments have to be included under item 6.1 "General Administration Expenses" in Schedule G and also under item 8 - Other Expenses (specify)" under the heading "General Administration Expenses" in Schedule H. Alternatively, funds may show it as "Taxation" between items 6.1 and 6.2 of Schedule G.

(b) Tax accruals : This liability have to be disclosed and specified under item 3.2(e) "Other" in Schedule F.

The financial statements will be amended in due course.

5. For your convenience I enclose an example of Annexure B to Schedule I, completed to illustrate the issues mentioned in paragraphs 2(a)(c) and (d) above. Also enclosed please find a list of the recognised stock exchanges mentioned in paragraph 2(e)(ii) above.

Kindly hand a copy of this Circular to the fund's auditor and valuator (where applicable).

REGISTRAR OF PENSION FUNDS

Enclosures

(Circular PF No 88 was addressed to self-administered funds and insurers who underwrite pension funds.)

(Afrikaanse weergawe is beskikbaar op aanvraag.)

CIRCULAR(8)MVDM

Pension Funds Act,1956

Regulation 28 : Annexure B to Schedule I

EXAMPLE TO ILLUSTRATE:

Regulation 28(2)(a)(i) and (ii) : Deposits and bank balances where there are policies deemed not to be assets

A. EXTRACT OF SCHEDULE F

			Bookvalue R'000
2.	ASSETS		
	2.1 FIXED ASSETS		1,000
	2.2 INVESTMENTS		9,300

Schedule H - item 3	B/value R'000	F/Value R'000
Property	500	1,000
Shares	3,000	5,000
Unit Trusts-Certificate issued	2,000	2,000
Deposits	1,800	1,800
Guaranteed Insurance Policies	2,000	1,950
	9,300	11,750

2.3 CURRENT ASSETS		
(a) Accounts receivable	200	
(c) Arrear contributions	750	
(d) Cash at bank	550	1,500
TOTAL ASSETS		11,800

B. ANNEXURE B TO SCHEDULE I

		Fair value R'000
1.	Item B. 2.3 Current assets (excluding bank balance)	
	Accounts receivable	200
	Arrear contributions	750
		950
2	Deposit - First National Bank	1 800
	Banking account - First National Bank	550
		2 350
3.	Item D : Fair Value of Assets	
	Assets 2.2 Investments	11 750
	2.3(d) Cash at bank	550
		12 300

Note that for compliance with Regulation 28 (Fair value of assets before excluding policies of insurange and unit trusts) the deposits and bank balance does not exceed the 20 % limit per bank in item 1(a)(i) (19.11 %) but amouts to 28.14 % after exclusion of policies of insurance and unit trusts.

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ANNEXURE B TO SCHEDULE I

ASSETS HELD IN COMPLIANCE WITH REGULATION 28

				R'000
A.	Total assets of the fund as per Statement of Funds and Net Assets			.....11,800.00
B.	Less:	Items of Statement of Funds and Net Assets:		
		2.1 Fixed assets	....	
		2.3 Current assets (excluding cesh at bank)........	......950.00.	.......950.00
**	Subtotal (A - B)			....10,850.00
C.	Less: Value of units in unit trust schemes and insurance policies excluded from fair value:			
	- Units in unit trust schemes		.....2,000.00	
	- Insurance policies		.....2,000.00	.....4,000.00
	Value of corresponding assets as per Statement of Funds and Net Assets			.....6,850.00

D. ** Fair value of assets - Subtotal (A - B)...................... ....12,300.00

Item 1 of Annexure B before taking policies of insurance and approved units in unit trust schemes into account:

CATEGORIES OR KINDS OF ASSETS	%	FAIR VALUE R'000	% OF FV
1(a) Deposits and balances in current and savings accounts in the Republic with a bank or a mutual building society, including negotiable deposits and money market instruments in terms of which such a bank or mutual building society is liable, paid-up shares of a mutual building society, or deposits and savings accounts with the Post Office Savings Bank and margin deposits with Safex:	100%	........2,350.00	19,11
(i) Per bank	20%	.......2,350.00	19,11
(ii) Per mutual building society	20%	....	....
(iii) Post Office Savings Bank	20%	....	....
(iv) SAFEX	5%	....	....
(b) Deposits and balances in current and savings accounts with a bank outside the Republic including negotiable deposits and money instruments in terms of which such a bank is liable	10%	....	....

Less: Excluded units in unit trust schemes and insurance policies	....3,950.00
(i) Fair value of units in a unit trust scheme included in total assets to be excluded in terms of subregulation (2)(a)(i) of Regulation 28	....2,000.00
(ii) Fair value of insurance policies included in total assets to be excluded in terms of subregulations (2)(a)(ii) and (3) of regulation 28	....1,950.00
Fair value of assets for purpose of Column 2 of Annexure to Schedule I	....8,350.00

** Not printed in the Government Gazette

Annexure B to Schedule I

.... FUND REF NO: 12/8/...................

ɪxure B of Schedule I after deducting investments in insurance policies and approved unit trust schemes

ꞓGORIES OR KINDS OF ASSETS	%	FAIR VALUE R'000	% OF FAIR VALUE
Deposits in banks or mutual building societies, Post Office Savings Bank and SAFEX (aforementioned items 1(a) and (b)):	100%	.......2,350.00	..........28.14%
ugerrands	10%	....	....
Bills, bonds and securities issued or guaranteed by and loans to or guaranteed by -	100%	....	....
inside the Republic -			
(i) local authorities authorised by law to levy rates upon immovable property	100%	....	....
- Per local authority	20%		
(ii) development boards established by section 4 of the Black Communities Development Act, 1984 (Act No. 4 of 1984)	20%	....	....
(iii) Rand Water Board	20%	....	....
(iv) Eskom	20%	....	....
(v) Land and Agricultural Bank of South Africa	20%	....	....
(vi) Local Authorities Loans Fund Board	20%	....	....
) outside the Republic -			
Bills, bonds and securities issued or guaranteed by the foreign Government concerned	10%	....	....
Bills, bonds and securities issued by and loans to an institution in the Republic, which bills, bonds, securities and loans the Registrar approved in terms of section 19(1)(h) of the Act before the deletion of that section by section 8(a) of Act No. 53 of 1989, and also bills, bonds and securities issued by and loans to an institution in the Republic, which institution the Registrar likewise approved before such deletion	100%	....	....
- Per institution	20%		
. Bills, bonds and securities issued by the government of or by a local authority in a territory other than the Republic, which territory the Registrar approved in terms of section 19(1)(i) of the Act before the deletion of that section by section 8(a) of Act No. 53 of 1989, and also bills, bonds and securities issued by an institution in such an approved territory, which institution the Registrar likewise approved before such deletion	100%	....	....
- Per authority	20%		
UBTOTAL CARRIED FORWARD		.......2,350.00	.........28.14 %

Annexure B to Schedule I

....FUND REFERENCE NUMBER: 12/8/................../2

		Limit	Amount	%
6.	Immovable property and claims secured by mortgage bonds thereon. Units in unit trust schemes in property shares and shares in, loans to and debentures, both convertible and non-convertible, of property companies :	25%	.......1,000.00	.........11.98 %
(a)	inside the Republic -	25%	.......1,000.00	.........11.98 %
	Per any single property or property development project	5%		
(b)	outside the Republic -	10%	....	....
	Per any single property or property development project	5%		
7	Preference and ordinary shares in companies excluding shares in property companies. Convertible debentures, whether voluntarily or compulsorily convertible and units in equity unit trust schemes which objective is to invest their assets mainly in shares.		....	....
	Subject to the following limitations:	75%	.......5,000.00	.........59.88 %
(a)	inside the Republic -			
	Preference and ordinary shares in companies, convertible debentures whether voluntarily or compulsorily convertible	75%	.......5,000.00	.........59.88 %
(i)	Unlisted shares, unlisted convertible debentures, shares and convertible debentures listed in the Development Capital Sector of the JSE	5%	....	....
(ii)	Shares and convertible debentures in a single company listed on the JSE, other than the Development Capital Sector	75%	.......5,000.00	.........59.88 %
(aa)	Per one company with a market capitalisation of R2 000 million or less	10%	....	....
(bb)	Per one company with a market capitalisation of more than R2 000 million	15%	....	....
(b)	outside the Republic -			
	Preference and ordinary shares in companies, convertible debentures, whether voluntary or compulsorily convertible	10%	....	....
(i)	Unlisted shares and convertible debentures	2.5%	....	....
(ii)	Shares and convertible debentures listed on any recognised foreign exchange	10%	....	....
(c)	inside the Republic -			
	Units in equity unit trust schemes which objective is to invest their assets mainly in shares	75%	....	....
(d)	outside the Republic -			
	Units in equity unit trust schemes which objective is to invest their assets mainly in shares	10%	....	....
	Limitations in respect of investments in items 6 and 7	**90%**	.......6,000.00	.........71.86 %
	SUBTOTAL CARRIED FORWARD		.......8 350.00	...........100 %

ANNEXURE B TO SCHEDULE I

....FUND   REFERENCE NUMBER: 12/8/................/2

8.	Listed and unlisted debentures, units in a unit trust scheme with the objective to invest in income generating securities and any secured claim against individuals and companies.	25%	....	....
(a)	inside the Republic -	25%	....	....
	(i) Per any one individual resident in the Republic	0.25%		
	(ii) Per any one company	5%		
(b)	outside the Republic -	10%	....	....
	(i) Per any one individual resident outside the Republic	0.25%		
	(ii) Per any one company	5%		
9.	Any other assets not referred to in this Annexure, excluding -	2.5%	....	....
	(a) money in hand in the Republic	95%	....	....
	(b) loans granted to members in accordance with -	95%	....	....
	(i) the provisions of section 19(5) of the Act		....	....
	(ii) exemptions granted in terms of section 19(6)(a) of the Act		....	....
	(c) investments in the business of a participating employer inside the Republic allowed by exemption in terms of -		....	....
	(i) the proviso to section 19(4) of the Act		....	....
	(ii) section 19(6)(a) of the Act		....	....
Limitations for investment in items 6 - 9, and items 9(a), (b) and (c)		95%	.......6,000.00	...........71 %
	(d) bills, bonds or securities issued or guaranteed by the Government of the Republic or by a provincial administration	100%	....	....
	(e) units in a unit trust scheme as defined in the Unit Trusts Control Act, 1981, the underlying assets of which consist only of -	100%	....	....
	(i) assets referred to in paragraphs (i),(ii) and (iii) of item 1(a) of this Annexure;	100%	....	....
	- per institution; and	20%		
	(ii) assets referred to in paragraph (d) of item 9 of this Annexure; or	100%	....	....
	(iii) assets referred to in items 3, 4 and 5 of this Annexure.	100%	....	....
	- per institution / authority	20%		
TOTAL (equal to fair value of assets)		100%	.......8,350.00	...........100 %

Annexure B to Schedule I

.... FUND REF NO: 12/8/..................

INVESTMENTS OUTSIDE THE REPUBLIC:		FAIR VALUE OF ASSETS	
		%	R'000
(a)	Deposits with banks outside the Republic	....	....
(b)	Bills, bonds and securities issued by a Government outside the Republic	....	....
(c)	Immovable property, units in unit trust schemes in property shares, shares in, loans to and debentures of property companies, claims secured by mortgage bonds on immovable property outside the Republic	....	....
(d)	Preference and ordinary shares in companies, convertible debentures outside the Republic	....	....
(e)	Units in equity unit trust schemes outside the Republic	....	....
(f)	Debentures and other secured claims against individuals and companies and units in income unit trust schemes outside the Republic	....	....
TOTAL (Limited to 10 % of fair value of assets in Annexure)		....	....

NOTES:

1. Credit balance in current accounts must be included in item 1.

2. If the investments exceed the limit per institution/company/individual and no exemption has been obtained, the details below must be completed for each institution/company/individual in each category of assets.

   Investments in institution/company/individual:

   ....

   ....

   ....

3. Blocked figures must be excluded in the computation of the totals.

EXEMPTIONS GRANTED BY THE REGISTRAR

ITEM	MAXIMUM %	DATE OF LETTER	EXPIRY DATE
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....

*Delete whichever is not applicable.

Annexure B to Schedule I

....FUND   REF NO: 12/8/......................

SPECIAL REPORT BY THE AUDITOR OF THE PENSION FUND TO THE REGISTRAR OF PENSION FUNDS

We have audited Annexure B to Schedule I, which was completed by the ....Fund, in terms of regulation 28, relating to the year ending .... (date). We initialled the annexure for identification purposes. The annexure is the responsibility of the trustees. Our responsibility is to report on the annexure. This report is furnished solely for the information of the Registrar of Pension Funds and should be used only for this purpose.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair representation is achieved on the attached annexure. Our audit included an evaluation of the appropriateness of the accounting policies; an examination, on a test basis, of evidence supporting the amounts used in the calculations; an assessment of the reasonableness of significant estimates made by the trustees; of the mathematical accuracy of the calculations made; and a review of the adherence by the pension fund to the provisions of section 19(4), 19(5) and 19(5B)(b) of the Pension Funds Act, 1956. We have also satisfied ourselves that the fund has obtained the certificates referred to in regulation 28(2)(c) of the Regulations. We consider that our auditing procedures were appropriate in the circumstances to support our opinion presented below.

In our opinion the return fairly represents the actual percentage of the assets to the total assets of the Fund in accordance with regulation 28 of the Regulations made under the Pension Funds Act, 1956.

Auditor CA(SA)

Address: