

Pension funds will not be told where to invest, says Gordhan

by [Linda Ensor](#), 17 July 2013, 11:22_



Finance Minister Pravin Gordhan. Picture: SUNDAY TIMES

PENSION funds did not face a threat of prescribed assets because it was not government policy to tell them how to invest, Finance Minister Pravin Gordhan said on Wednesday.

The minister's firm rejection of the policy confirms the stance of the ruling African National Congress (ANC) which toyed with the idea of introducing prescribed asset requirements ahead of its national electoral conference in Mangaung in December 2012 but then dropped it. The idea was mooted as a way of mobilising savings for industrial development and job creation but gave way instead to pension funds undertaking — through government pressure — to voluntarily make investments in infrastructure.

Questioned by Democratic Alliance MP David Ross as to whether local pension funds faced the threat of prescribed asset classes if they did not make voluntary infrastructure investments, Mr Gordhan said this was not the case.

"It is up to the trustees of pension funds to decide how and where to invest, as long as their decisions are within the framework of Regulation 28 in terms of the Pension Funds Act of 1956. South Africa will require long-term savings and investments to deal with some of its economic challenges. Pension funds, as long-term investors, have played and can continue to play this natural long-term funding role without the need for coercion.

"It should also be noted that Regulation 28 requires trustees to consider environmental, social and governance factors when determining their investment policies and strategies," Mr Gordhan said.

The minister reaffirmed government's expectation that the budget deficit in 2013-14 would be 4.6% of gross domestic product.

"There have not been any revisions to the budget deficit from what was published in the 2013 budget review (in February)", Mr Gordhan said in another written reply to a parliamentary question by Congress of the People leader Mosiuoa Lekota.

"The 2013 budget review emphasises government's commitment to consolidate the budget deficit, which reflects the fiscal stance that seeks to ensure counter-cyclicity, debt stabilisation and intergenerational equity. Government has reduced core spending plans by R10.4bn over the next three years."

In line with the commitment made in his budget speech in February, Mr Gordhan will on Wednesday announce members of the tax review committee as well as the committee's terms of reference. He said the committee would be established "to assess our tax policy framework and its role in supporting the objectives of inclusive growth, employment, development and fiscal sustainability".