Which horse
to put the pensions on?

The Growth and Development Summit (GDS) emerged with a number of resolutions on pension and provident funds. A simple one was to hold a retirement fund trustees conference but the headaches come from a resolution to ensure that 5% investible income of retirement and life assurance funds goes into appropriate financial instruments. The **Labour Bulletin** highlights some of these issues ahead of the retirement conference in September.

Cosatu's pension fund coordinator Jan Mahlangu, one of the driving forces behind the retirement fund trustees conference, says the key objectives of the September conference are to:

- ensure agreement that trustee training is no longer in the hands of service providers but conducted by 'labour friendly' institutions funded by the Setas;
- develop guidelines around the investment strategies of funds including the move to ensure an increase in the investment of funds in infrastructure development, job creation projects or bonds. The objective should be to move to a situation where 10% of fund assets are invested in infrastructure development and productive sectors of the economy;
- suggest amendments to legislation so that the Pension Funds Act covers all funds not just private sector funds. Currently, public sector and parastatal funds are not covered by the Act;
- reach agreement on the compulsory provision for retirement provisions for all workers including farm and domestic workers;
- ensure tighter controls and accountability of pension fund trustees by the introduction of a code of conduct, which should apply to trustees and service providers.

Mahlangu says the retirement fund industry has a huge role to play in addressing the unemployment problem by investing in areas which can create jobs and provide returns for members. A lot of money is currently invested off-shore and members are losing money from these investments. As part of their commitment to investing in the country and building domestic confidence so as to attract foreign direct investment, the amount that funds could invest offshore should be reduced from 15%. A critical aspect of the proposals which seek to direct the investment strategies of funds is the proposal to ensure an increase in the investment of funds in infrastructure development and the productive sectors of the economy.

Much work is underway on how to make this practical in view of the agreement struck during the GDS that parties should work towards ensuring that 5% of investible income of retirement and life assurance funds goes into appropriate financial instruments. Now the parties have to work out what this clause actually means and how it can be implemented.

There is also the matter of how this will be administered – will such a requirement be voluntary or prescribed in law and what type of oversight should be introduced. Other issues relate to the type of investments which will qualify. Research by Naledi on how to encourage socially targeted investment sought to determine the various ways for implementation. Sarah Horsley, an intern from Harvard's Kennedy School interviewed various representatives of government, labour and business. Her research revealed that there is consensus about the end but disagreement as to whether it should be voluntary or compulsory or whether to introduce a social investment fund similar to those supported by the World Bank in various countries.

Organised labour worries that if it is voluntary, how will the target be achieved.

Consensus has yet to also be achieved on how this process will be administered and quantified. Should there be a monitoring body? Business supports self-regulation while government is divided on it. The final approach is likely to be a combination of different methods seeking to balance prescription with some element of flexibility. LB