

June 1986

CIRCULAR PF. NO. 64

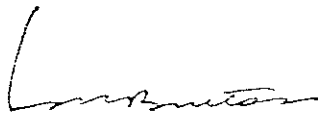
(To all self-administered pension funds
and insurers who underwrite pension funds).

FINANCIAL INSTITUTIONS AMENDMENT ACT, NO. 50 OF 1986

1. Attention is drawn to the amendments to the Pension Funds Act, 1956, (hereinafter referred to as the Act) contained in sections 9 to 13 of the Financial Institutions Amendment Act, No. 50 of 1986 (hereinafter referred to as the Amendment Act) which came into operation on the date of publication of Government Gazette No. R10248 of 28 May 1986.
2. The more important amendments are briefly summarised hereunder -
 - 2.1 The purpose of the amendment to subsection (7) of section 16 of the Act is to extend the matters on which a valuator must report and also to specify more particulars in this regard.
 - 2.2 The amendment to section 18 by the insertion of subsection (1A) obligates a fund, within three months from the date of submitting any return under the Act which indicates that the fund is not in a financially sound condition, to submit a scheme setting out the arrangements which have been made or which are intended to be made in order to bring the fund into a financially sound condition together with a report thereon by the valuator.
 - 2.3.1 The amendment to subsection (5) of section 19 of the Act prohibits a fund, after the commencement of the Amendment Act, from granting a mortgage loan to a member at a lower rate of interest than that which is from time to time prescribed by regulation and stipulates that the capital sum shall be redeemed over a period not exceeding 30 years in equal weekly or monthly instalments which shall include interest on the capital amount outstanding.
 - 2.3.2 The amendment to paragraph (c) of subsection (5) of section 19 of the Act raises the limit of 75% of the market value of the property against which a mortgage bond may be granted to 90% of the market value of that property. In terms of the new subsection (cA), the latter percentage may be increased to 100% provided that the employer of the member furnishes the fund with an irrevocable guarantee in respect of so much of the loan as exceeds 90%.
 - 2.3.3 The amendment to subsection (5B) of section 19 of the Act stipulates that a fund shall not directly or indirectly, after commencement of the Amendment Act, grant a loan to a member or make any of its funds available, whether by way of an investment or otherwise, to be utilised in any manner by the fund or someone else for a loan to a member other than a loan for the purpose mentioned in paragraph (a) of

subsection (5) and which complies with the provisions of paragraphs (b) and (c) of that subsection.

- 2.4 Section 32A was inserted in the Act to authorize the registrar, subject to the consent of the Minister of Finance, to prohibit a particular practice or method of conducting business as an irregular or undesirable practice or undesirable method of conducting business, by way of a notice in the Gazette, for any specified category of pension fund or for all pension funds. The procedure for making such a declaration is also determined by Section 32A.
- 2.5 Section 37(1)(f) of the Act has been extended to make failure of compliance with the newly inserted sections 32A(2) and (4) of the Act an offence and also to increase the penalties applicable to the various contraventions of the Act.
3. The amendment to section 19(5)(b)(iii) of the Act also necessitated an amendment to the Regulations published under Government Notice R.98 in Government Gazette Extraordinary No. 162 of 26 January 1962, as amended. Consequently a new paragraph 27 in Part VII of the Regulations was inserted by the publication of Government Notice R.1037 in Government Gazette No. 10249 of 28 May 1986 prescribing 15% per annum as the rate of interest for the purpose of section 19(5)(b)(iii) of the Act.
4. In view of the amendments made to the Act pension funds are obliged to bring their rules into conformity with the provisions of the Act.
5. Kindly acknowledge receipt of this Circular and confirm that a copy thereof was handed to your auditor by signing and returning the attached acknowledgement form to this Office.



REGISTRAR OF PENSION FUNDS

(Circular P.F. No. 63 of April 1985 was addressed to all self-administered pension funds)

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