GOVERNMENT OF ZAMBIA

STATUTORY INSTRUMENT NO. 141 OF 2011

The Pension Scheme Regulation Act,1996
(Act No. 28 of 1996)

The Pension Scheme (Investment Guidelines) Regulations, 2011

IN EXERCISE of the powers contained in subsection (3) of section *twenty five* and section *forty six* of the Act, and in consultation with the Minister responsible for social security and the Registrar, the following Regulations are hereby made:

1. These Regulations may be cited as the Pension Scheme (Investment Guidelines) Regulations, 2011. Title

2. These Regulations apply to all pension schemes registered under the Act. Application

3. In these Regulations, unless the context otherwise requires — Interpretation

"Authority" means the Pensions and Insurance Authority established under the Act;

"bank" has the meaning assigned to it in the Banking and Financial Services Act; Cap. 387

"corporate bond" means a debt instrument, excluding a convertible debenture, however prescribed, issued by a company formed under the Companies Act or such other body corporate established; Cap. 388

"equities" means the shares of a company excluding shares in property companies, whether such shares are preferred or not, and including convertible debentures;

"financial institution" has the meaning assigned to it in the Banking and Financial Services Act; and Cap. 387

"Government securities" means securities issued by the Government of the Republic of Zambia.

Copies of this Statutory Instrument can be obtained from the Government Printer, P.O. Box 30136, 10101, Lusaka, Price K1,000 each

Prudential investment management principles

4. A pension scheme shall ensure that its investments are based on the principles that the pension scheme shall

(a) have an investment policy that reflects the investment strategy for the pension fund;

(b) take into account the level of risks to be taken in the aggregate for the liability structure of the fund;

(c) maximise investment returns consistent with the risk assigned for each type of investment;

(d) exercise caution in investing the money as if investing own money;

(e) act in the sole interest of the scheme members and have regard to the liability structure of the fund;

(f) ensure sufficient diversification of investments, quality of investment and sufficient liquidity for the normal operations of the pension scheme;

(h) make investments according to the types and within the limits set by the Authority and the Minister;

(i) review investment policy and performance of investments and those of service providers on a regular basis; and

(j) adhere to principles of good corporate governance and accepted accounting standards.

Cash and cash balances

5. (1) A pension scheme shall not make an investment of more than twenty per centum of the fund size in cash and bank balances with any one bank or financial institution.

(2) For the purposes of this regulation, "fund size" means the net aggregate fair value of all the assets.

(3) A pension scheme shall, at all times, maintain an investment of not less than two and a half percent of its fund size in cash, bank balances and money market instruments.

Government securities

6. (1) A pension scheme shall, at all times, maintain an investment of not less than two and half percent of its fund size in Government securities.

(2) A pension scheme shall comply with this Regulation within two years from the commencement of these Regulations.

Investment in listed and quoted equities

7. (1) A pension fund shall, at all times, maintain an investment of not less than five percent, but not more than seventy percent, of its fund size in listed and quoted equities.

(2) The investment referred to in sub-regulation (1) shall consist of —

(a) not more than fifteen percent of the fund size where it is invested in the equities of the same company;

(b) not more than ten percent of ownership of the share capital of any one company;

(c) not more than ten percent of the fund size of the pension scheme where it is invested in companies that have been in existence for less than three years;

(d) not more than five percent of the fund size of the pension scheme where it is invested in unlisted securities; and

(e) not more than five percent of the fund size of a pension fund, where it is invested in listed or unlisted equities or securities of a sponsoring employer where the sponsoring employer includes direct and successive subsidiaries and holding companies of the sponsoring employer:

Provided that any secured loans to the sponsoring employer will form part of this limit.

(3) A pension scheme shall comply with this rule within one and half years from the commencement of these Regulations.

Collective investment

8. (1) A pension fund shall, at all times, maintain an investment of not less than two percent of its fund size in collective investment schemes:

Provided that not more than ten percent of the fund size shall be invested in a single unit trust.

(2) A pension scheme shall comply with this rule within two years from the commencement of these Regulations.

Corporate bonds

9. (1) A pension fund shall, at all times, maintain an investment of not less five percent of its fund size in corporate bonds.

(2) A pension fund shall not invest more than seven and half percent of the fund size in corporate bonds of the same company.

Investing in property

10. (1) A pension scheme shall, at all times invest in not more than thirty percent of the fund size in immovable property.

(2) The property referred to under sub-regulation (1) shall consist of —

(a) claims secured by mortgage bonds;

(b) units in collective investment schemes in property-related financial instruments; and (*c*) shares in, loans to and debentures of property companies.

Investing outside Republic

11. (1) A pension scheme may invest not more than thirty percent of its fund size outside the Republic as may be authorised by the Minister under the Act.

(2) A pension scheme shall not invest in property outside the Republic.

Insurance policies

12. A pension scheme may not invest more than ten percent of fund size in any policy with a registered insurer.

Other investments

13. (1) A pension scheme may invest in such other investments as the Registrar may approve for purposes of the Act.

(2) A pension scheme shall not invest in derivatives, hedge funds or any other speculative investments.

(3) A pension scheme shall not, without the approval of the Registrar, directly or indirectly grant a loan to, or invest in, any debt instrument or shares of a company or its subsidiary or holding company or successive subsidiary or holding company controlled by a member or trustee of the fund or a director of a sponsoring employer of the fund.

Duration for compliance

14. A pension scheme shall comply with these Regulations within a period of two years from the commencement of these Regulations or such longer period as the Authority may specify.

A. B. CHIKWANDA,
Minister of Finance

LUSAKA
22nd December, 2011

[MFB/102/9/409]