

MEMO# 10577

December 17, 1998

ITALIAN PENSION FUND REFORM NEARING COMPLETION

[10577] December 17, 1998 TO: INTERNATIONAL COMMITTEE No. 38-98 RE: ITALIAN PENSION FUND REFORM NEARING COMPLETION

Enclosed is a copy of a memorandum prepared by outside counsel discussing Italy's new pension system. Italy significantly revised its pension system in 1995 with a law that permits defined contribution pension plans. After more than three years, most of the implementing regulations are in place and pension plans are beginning to be formed under the new system. Under the new rules, there are relatively few limitations on the types of investments that pension plans may make. In particular, pension plans may invest in US mutual funds and other securities, subject to certain non-discriminatory asset allocation limitations. For example, investments in closed-end funds are limited to 20% of the pension plan's assets and 25% of the closed-end fund's assets. No distinction is made between shares of a US closed-end fund or an Italian closed-end fund for purposes of these limitations. The absence of general investment restrictions is noteworthy and is consistent with the Institute's long-standing position that asset allocation limitations and restrictions on foreign investment by pension plans should be eliminated. Pension plans are also permitted under the new rules to delegate management duties to "authorized investment companies." While the Italian CONSOB has not formally declared that US managers will be authorized to manage Italian pension plan assets, an official communication to this effect is expected in the near future. Robert C. Grohowski Assistant Counsel Attachment

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