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IMPORTANT NOTICE

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BOARD NOTICE

NOTICE 149 OF 2010**PENSION FUNDS ACT NO. 24 OF 1956****REPORT BY A VALUATOR IN RELATION TO A STATUTORY ACTUARIAL VALUATION**

I, Dube Phineas Tshidi, Registrar of Pension Funds, hereby, in terms of section 16(7) of the Pension Funds Act (No. 24 of 1956), prescribe the particulars for inclusion in a report by a valuator relating to a statutory actuarial valuation referred to in section 16 of the Act as set out in the attached Schedule and Annexure.

This Notice will be effective for all statutory actuarial valuation reports submitted to the Registrar on or after 1 April 2011.

This Notice replaces Regulation 15 of the regulations published by Government Notice R.98 in GG 162 of 26 January 1962 and substituted by GN R.1790 of 1985 and by GN R.2324 of 1993 in terms of section 36 of the Act.

 D. Phineas Tshidi

SCHEDULE

1. **Definitions** – In this Schedule –

“Act” means the Pension Funds Act, 1956 (Act No. 24 of 1956), as amended, and any word or expression to which a meaning is assigned in the Act has the meaning so assigned to it;

“accrued liabilities” means–

- (a) where a fund includes a defined benefit category, the actuarial liabilities in respect of past service benefits (including accrued bonus service) of active members, with due allowance for future salary increases where these affect the benefits in respect of past service, and with due allowance for increases in pensions in line with the pension increase policy and the reasonable benefit expectations of members;
- (b) where a fund includes a defined contribution category, the members' individual accounts;
- (c) the actuarial liabilities in respect of pensioners and deferred pensioners, with due allowance for increases in pensions in line with the pension increase policy and the reasonable benefit expectations of pensioners and deferred pensioners; and
- (d) any other accrued liability, in terms of the rules of the fund.

“inter-valuation period” means the period between successive statutory actuarial valuations in terms of section 16(1) of the Act;

“notional pensioner accumulation amount” means the amount contemplated in section 14B(4)(b)(i) of the Act;

“pension increase policy” means the policy contemplated in section 14B(3)(a) of the Act; and

“report” means the report relating to the statutory actuarial valuation of a registered fund, as contemplated in section 16(7) of the Act.

2. Format and submission

- 2.1** The report must be legible and not contain any shading that would inhibit the readability of a scanned version.
- 2.2** A submission of the report to the Registrar must consist of the following:
 - (a)** the statement by the board of the fund, duly signed in accordance with Regulation 20 to the Act, confirming:
 - (i)** the date of the statutory actuarial valuation;
 - (ii)** that the submission of the report constitutes a statutory submission in terms of section 16(1) of the Act;
 - (iii)** that the board acknowledges the recommendations made by the valuator, if any, and whether any steps have been taken to address these; and
 - (iv)** that the certificate required in terms of section 16(8) of the Act, duly completed, is attached;
 - (b)** a duly signed copy of the report; and
 - (c)** the certificate in terms of section 16(8) of the Act, duly completed.
- 2.3** The submission to the Registrar must be made electronically (through the FSB Retirement Funds Online System, available at the website: www.fsb.co.za) in portable document format (PDF).
- 2.4** Unless all three of the above-mentioned documents are submitted together in one submission, the fund shall be deemed to not have submitted the report to the Registrar.

3. **Executive summary** – The report shall commence with a summary of the main findings of the investigation by the valuator, which shall include, but not be limited to, the following particulars:

- (a) a table summarising the membership of the fund;
- (b) a table summarising the financial result of the investigation by the valuator that includes the level(s) of funding, as appropriate;
- (c) where applicable, the contribution rate(s) the valuator recommends be payable by the employer, as appropriate; and
- (d) a statement by the valuator regarding the financial condition of the fund:

provided that all numerical results in the executive summary must include equivalent values as at the date of the previous statutory actuarial valuation, unless it is the first statutory actuarial valuation of the fund.

4. **Substance of the report** – The report shall include any particulars as the valuator may deem relevant for the purposes of this Notice, which must include but not be limited to the following, as appropriate:

4.1 **Membership details:**

For defined benefit and defined contribution categories, the number of persons in respect of whom liabilities have been calculated, subdivided into active members, deferred pensioners and pensioners, with their corresponding annual pensionable emoluments, annual deferred pensions, and annual pensions, respectively.

4.2 **In relation to the assets of the fund:**

- (a) the fair value of the assets of the fund, after adjusting for current assets and liabilities and any liability arising from the pledge, hypothecation or other encumbrance of the assets of the fund, together with full particulars of such deductions;
- (b) a listing and description of the classes of assets held by the fund as well as a subdivision of the fair value of the assets contemplated in paragraph (a) into these classes of assets;

- (c) the fair value of the assets contemplated in paragraph (a) must be subdivided, as appropriate, into the net assets attributable to any defined benefit category, defined contribution category, contingency reserve accounts, investment reserve account, member surplus account and employer surplus account, prior to and following any recommendations made by the valuator in respect of any transfers between any of the subdivisions;
- (d) the actuarial value of the net assets, where applicable, for purposes of a comparison with the fund's accrued liabilities; and
- (e) a description of the basis employed in calculating the actuarial value of each of the various classes of assets together with adequate particulars of each basis to enable an independent valuator to judge the financial soundness of such basis.

4.3 In relation to the liabilities of the fund:

- (a) the value of the fund's accrued liabilities, with the same subdivision as that contemplated in paragraph 4.1; and
- (b) a description of the basis employed in calculating or verifying the accrued liabilities together with adequate particulars of the basis to enable an independent valuator to judge the financial soundness of such basis.

4.4 In relation to the contingency reserves of the fund:

- (a) a motivation by the valuator for the establishment or continued necessity and magnitude of any existing contingency reserve account as defined in the rules of the fund, including a description of the basis and method employed in determining the balance in such reserve account;

provided that where the rules do not provide for a contingency reserve account and the valuator recommends that the board establishes such reserve account as at the valuation date, a rule amendment is submitted to the Registrar within a reasonable period of time to give effect to such newly established contingency reserve if the board agrees to the establishment of such reserve account; and

- (b) a motivation by the valuator for the transfer of any amounts from or to the contingency reserve account(s), as deemed necessary.

4.5 In relation to the member and employer surplus accounts of the fund:

- (a) the balances in such accounts;
- (b) any transfers and/or payments to or from the member and employer surplus accounts since the previous statutory actuarial valuation date; and
- (c) a motivation by the valuator for the transfer of any amounts from or to the member and / or employer surplus accounts, as deemed necessary.

4.6 In relation to the minimum pension increase required in terms of the Act:

- (a) a description of the pension increase policy of the fund and any amendments thereto during the inter-valuation period;
- (b) the balance of the notional pensioner accumulation amount, where appropriate, together with a description of the method employed and any assumptions adopted in calculating such balance;
- (c) the ratio of the notional pensioner accumulation account balance, where appropriate, to the accrued liabilities in respect of pensioners and deferred pensioners, expressed as a percentage;
- (d) details of the pension increases granted during the inter-valuation period; and
- (e) details of any recommendation made by the valuator with regard to the minimum pension increase as required in terms of the Act.

4.7 In relation to the result of the statutory actuarial valuation of the fund:

- (a) where the fund includes a defined benefit category, a comparison of the actuarial value of assets attributable to this category, with the associated accrued liabilities, prior and subsequent to taking into account the magnitude of any contingency reserve accounts attributable to this category of the fund, quantifying the actuarial surplus or deficiency and the ratio of actuarial value of assets to liabilities, expressed as a percentage, per sub-category as deemed appropriate by the valuator; and

- (b) where the fund includes a defined contribution category, a comparison of the fair value of assets attributable to this category with the associated accrued liabilities, prior and subsequent to taking into account the magnitude of any investment reserve account and contingency reserve accounts attributable to this category of the fund, quantifying the actuarial surplus or deficiency and the ratio of actuarial value of assets to liabilities, expressed as a percentage, per sub-category as deemed appropriate by the valuator:

provided further that, where the fund operates on the basis whereby, in terms of the rules of a fund, the fund return used in the calculation of a member's individual account is determined with reference to fund return achieved by a selection of investment portfolios, a comparison of the fair value of the assets held in respect of each investment portfolio against the accrued liabilities attributable to that investment portfolio, must be shown.

4.8 In relation to the change in the financial condition of the fund during the inter-valuation period for valuations other than the first statutory actuarial valuation of a fund:

- (a) where the fund includes a defined benefit category, an analysis of the change in the financial condition of this category of the fund during the inter-valuation period, including the following particulars, as appropriate:
- (i) a table summarising the financial assumptions used at the current valuation as well as the equivalent assumptions made as at the previous statutory actuarial valuation;
 - (ii) a quantification of the effect of each element affecting the financial condition of that category of the fund which will include, but not limited to:
 - (aa) the actual experience of the fund compared with the actuarial assumptions made;
 - (bb) any change in valuation method and assumptions used, where the effect of each change of assumption, method, or basis is shown separately;
 - (cc) the change in the magnitude of any contingency reserve accounts attributable to this category of the fund; and

- (dd) any change in benefits, in line with the rules of the fund;
- (b) where the fund includes a defined contribution category, an analysis of the change in the financial condition of this category of the fund during the inter-valuation period, including the following particulars, as appropriate:
 - (i) the change in the magnitude of the investment reserve account; and
 - (ii) the change in the magnitude of any contingency reserve accounts attributable to the defined contribution category of the fund;
- (c) where contingency reserve accounts exist that are not attributable to any specific category of the fund, an analysis of the change in the financial condition of such contingency reserve accounts covering the inter-valuation period must be shown separately; or
- (d) where a full analysis is not justifiable, the Registrar may accept an approximation provided that he is satisfied with the reasons provided by the valuator for not being able to perform a full analysis.

4.9 In relation to the contribution rates of the fund:

- (a) a comparison of current and future contribution rates relevant to the various categories of members. The contribution rates must further be subdivided into the various categories of members and contribution rates relevant to normal rates for employers to meet liabilities in respect of future service, and special rates for employers and/or members to amortise any deficiency. Where applicable, reference should be made to the extent to which any credit balance in the member and/or employer surplus account has been taken into account; and
- (b) a comment by the valuator as to the sustainability, of the future contribution rates including the circumstances under which variations in the contribution rates could be expected.

- 4.10 **In relation to the financial condition of the fund:**
- (a) *a certification by the valuator in relation to:*
 - (aa) the financial condition of the fund;
 - (bb) the nature of the assets of the fund;
 - (cc) the adequacy of the matching of the assets with the liabilities of the fund;
 - (dd) the suitability of the investment strategy of the fund; and
 - (ee) the appropriateness of reinsurance or self-insurance of risk benefits (where appropriate), taking into account the balance in any contingency reserves held and future recommended contributions for this purpose:
- provided that, where the valuator is unable to certify the above-mentioned without qualification, he or she must substantiate reasons for such qualification; and
- (b) in the case of a deficiency, taking into account the provisions of section 15H of the Act, the measures taken or recommended to eliminate such deficiency and the expected period within which it is anticipated that the deficiency will be eliminated.
5. **Summary of a report for participating employers** – Where a pension fund submits a summary of a report to every employer participating in the fund, the pension fund must ensure that such summary as prepared by the valuator concerned includes at least the items as set out in the Annexure to this Notice.
6. **Deviation from the format prescribed** – Where a valuator is unable to comply with or deviates from any provision of this Notice relating to the executive summary or the substance of the report, the valuator must motivate the reason for such deviation in the report: provided that the Registrar may request further details, or reject the said report, where he is of the opinion that such deviation is not justified.
7. **Short title** – This Notice is called the Notice on Report by a valuator in relation to a Statutory Actuarial Valuation, 2010.

ANNEXURE**FORM OF SUMMARY OF REPORT BY VALUATOR**

Name of fund:

Name of participating employer:.....
(delete where not applicable)

Financial year:

Valuator:

Membership details:

Particulars of financial condition of the fund / participating employer
(delete where not applicable, and consistently throughout)

The fair value of the net assets of the fund / participating employer, after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the fund / participating employer:

.....

The actuarial value of assets of the fund / participating employer, for purposes of comparison with the accrued liabilities of the fund / participating employer:

.....

A brief description of the basis employed in calculating the actuarial value of the assets:

.....

The accrued liabilities of the fund / participating employer:

.....

The contribution rate(s) of the fund / participating employer:

.....

Any other particulars deemed necessary by the valuator for the purpose of this summary (e.g. details about contingency reserves):

.....

A statement as to whether or not the fund / participating employer is in a sound financial condition for the purposes of the Pension Funds Act, 1956

.....

Prepared by me:

.....
 (Date)

.....
 (Signature of valuator)