GOVERNMENT NOTICE

RETIREMENT FUNDS

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X **2015**

STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS ACT, 2015

The Namibia Financial Institutions Supervisory Authority has under section 382 of the Financial Institutions and Markets Act, 2015 (Act No. X of 2015), made the Standards set out in the Schedule.

Estelle Tjipuka
Chairperson **Windhoek,** **2015**

PART I

INTRODUCTORY PROVISIONS

1. **Citation**

These standards may be cited as the Retirement Fund Standards.

2. **Interpretation**

In these Standards "the Act" means the Financial Institutions and Markets Act, 2015, including any subordinate measure made there under, and any word or expression to which a meaning has been assigned in the Act or subordinate measure, bears that meaning, unless the context indicates otherwise.

PART II

RETIREMENT FUND STANDARDS

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2015 [Act No. • of 2015]

Requirement for investigation by and report of a valuator on the financial position of a retirement fund, the form of a summary of the report, and the conditions for a report of an independent valuator pursuant to subsection 264(5)

Standard No. RF.S.5.2

made by NAMFISA under subsections 264(5), 382(6)((h) and 382(6)(o) of the Financial Institutions and Markets Act, 2015

1. (1) In this Standard:

(a) “Act” means the *Financial Institutions and Markets Act, 2015* [Act No. • of 2015], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act;

(b) “report” means a written report, prepared and signed by a valuator, on the financial soundness requirement of the retirement fund since the last actuarial valuation;

(c) “valuation” means a written report, prepared and signed by a valuator, valuing the assets of the retirement fund and determining the technical provisions of the fund;

(d) “value of assets” means the value of the assets of the fund determined by the valuator;

(e) “current liabilities” means any other liabilities of the retirement fund, other than the technical provisions;

(f) “discretionary benefits” means an increase in the retirement benefits awarded to members;

(g) “insured benefit” means a death or disability benefit for which the retirement fund holds an insurance policy;

(h) “solvency ratio” means the ratio of the lesser of the actuarial value of the assets to the total liabilities, expressed as a percentage, or the fair value of the assets to the total liabilities, expressed as a percentage;

(i) “technical provisions” means the systematic measurement of liabilities in respect of accrued benefits and of contribution rates sufficient to fund emerging benefits in accordance with Standard R.F.S.5.5, and the concomitant prudent investment of accruing contributions and investment income in assets so as to ensure the ongoing solvency of the retirement fund and the fulfillment of members' benefit expectations; and

(j) "total liabilities" means the sum of the technical provisions and the current liabilities of the scheme;

(2) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation, the following:

(a) as defined in section 1 of the Act:

(i) NAMFISA;

(ii) retirement fund;

(iii) valuator

(b) as defined in section 242 of the Act:

(i) defined contribution fund;

(ii) employer;

(iii) fair value;

(iv) fund;

(v) member;

(vi) retirement benefits;

(vii) sponsor; and

(viii) nominee.

2. This Standard applies to every retirement fund registered under the Act that is required to cause the financial position of the fund to be investigated by the valuator of the fund pursuant to section 260 of the Act and that has not been exempted from that requirement pursuant to subsection 260(7) of the Act, the valuator of such a fund and any independent valuator appointed by NAMFISA pursuant to subsection 264(5) of the Act.

3. The valuation and report of the valuator of a fund referred to in clause 2 must be made in accordance with clause 4 or 5 as applicable.

4. In the case of a fund that is not a defined contribution fund, the valuation and report must include:

(a) an opening statement setting out the objectives of the valuation and the date on which the valuation and the previous valuation were conducted;

(b) Disclosure of any standard considered in preparing the valuation report

(c) a review of all the relevant developments since the previous valuation, including:

(i) changes in retirement benefits;

(ii) discretionary benefits granted;

(iii) retirement benefit increases;

(iv) contribution rates paid and any changes thereto;

(v) significant changes in the profile or characteristics of the members, beneficiaries or nominees; and

(vi) changes in the investment policy;

(c) a summary of the retirement and other benefits and contribution rates used in the valuation;

(d) a summary of the data used in the valuation;

(e) measures taken by the valuator to ensure the completeness and accuracy of data, and, if necessary, a qualification if the valuator has any reservations regarding the completeness and accuracy of the data;

(f) details of how expenses, death, disability and other benefits are recognized in the technical provisions;

(g) comments on financially significant events that have occurred since the valuation date, or that may be imminent, and the allowance for such events in the valuation, if applicable;

(h) a summary of the assets of the retirement fund broken down into asset classes in accordance with the Regulation with respect to investments of retirement funds;

(i) an explanation of and justification for the methodology and assumptions used to determine the actuarial value of assets, if different from the fair value of assets;

(j) comments on the assets in relation to the liabilities of the retirement fund;

(k) a description and justification of the valuation method and assumptions used to determine the technical provisions;

(l) the technical provisions, and sensitivity testing of the technical provisions against changes in the assumptions;

(m) a comparison of the current period's technical provisions with the technical provisions at the previous valuation date, quantifying the changes over the valuation period;

(n) an analysis of the change in surplus or deficit;

(o) recommendations for financing any deficit or the utilization of surplus, if applicable;

(p) recommendation on the future contribution rates, indicating the circumstances under which rates are expected to remain constant, increase or decrease; and

(q) where reserves have been held for specific contingencies and the valuator is of the opinion that these reserves require an increase or decrease, the valuator must quantify the increase or decrease, and recommend how these will be paid for or accommodated in the fund.

5. In the case of a fund that is a defined contribution fund, the valuation and report must include:

(a) an opening statement setting out the objectives of the report;

(b) a review of all the relevant developments since the previous valuation, including:

(i) contribution rates paid and any changes thereto;

(ii) extraordinary changes in the profile or characteristics of the members, beneficiaries or nominees; and

(iii) changes in the investment policy;

(c) a summary of the data used in the valuation;

(d) measures taken by the valuator to ensure the completeness and accuracy of data, and if necessary, a qualification if the valuator has any reservations regarding the completeness and accuracy of the data;

(e) a detailed description of the manner of financing expenses and any non-retirement benefits, such as death or disability, including a clear delineation as to the financing provided by members and by employers and sponsors.

(f) comments on financially significant events, if any, that have occurred since the valuation date, or that may be imminent, and the allowance for such events in the report;

(g) a summary of the assets of the retirement fund by asset class in accordance with any Regulation with respect to the investments of a retirement fund;

(h) the determination of the technical provisions;

(i) comments on the assets in relation to the liabilities of the retirement fund; and

(j) a comparison of the current period's technical provisions with the technical provisions at the previous valuation date, quantifying the changes over the valuation period.

(k) an explanation of and justification for the methodology and assumptions used to determine the actuarial value of assets, if different from the fair value of assets;

(l) comments on the assets in relation to the liabilities of the retirement fund;

(m) a description and justification of the valuation method and assumptions used to determine the technical provisions;

6. A report referred to in clause 4 or 5 must include the certificate of the valuator on:

(a) the technical provisions and the solvency ratio in accordance with Schedule 1 attached to this Standard; and

(b) a schedule of contributions in accordance with Schedule 2 attached to this Standard.

SUPPORTING SCHEDULES

The following supporting schedules are attached to and form part of this Standard:

Schedule 1

Form of valuator's certification of the determination of technical provisions and solvency ratio

Schedule 2

Form of valuator's certification of schedule of contributions

Schedule 1

VALUATOR'S CERTIFICATE

Form of valuator's certification of the determination of technical provisions and solvency ratio

Name of retirement fund

Determination of technical provisions and solvency ratio

I, the undersigned, certify that, in my opinion, the determination of the fund's technical provisions as at [*insert effective date of valuation on which the calculation is based*] is made in accordance with Standard No. RF.S.5.5: Determination of the Soundness of the Financial Position of a Fund. The calculation uses a method and assumptions determined in consultation with the board of the fund as set out in the statement of financial soundness principles dated [*dd/mm/yyyy*].

Technical Provisions	[*N$ amount*]
Current liabilities	[*N$ amount*]
Total liabilities	[*N$ amount*]
[*Actuarial*] value of assets[1]	[*N$ amount*]
Current assets	
Reserves	
Solvency ratio[2]	%

____
SIGNATURE

____
DATE

____
FULL NAME IN PRINT

____
QUALIFICATIONS

____
ADDRESS

____
NAME OF EMPLOYER OF VALUATOR (If applicable)

1 "Actuarial" may only be used when the valuator is an actuary; if the valuator is not an actuary, provide a footnote stating how the value of assets has been determined, and, if the value differs from the value of assets reported in the financial statements of the fund as at the date of certification, disclosing this fact and the difference.

2 "solvency ratio" means the ratio of the lesser of the actuarial value of the assets to the total liabilities, expressed as a percentage, or the fair value of the assets to the total liabilities, expressed as a percentage.

Schedule 2

VALUATOR'S CERTIFICATE

Form of valuator's certification of schedule of contributions

Name of fund

Adequacy of rates of contribution

I, the undersigned, certify that, in my opinion:

1. This schedule of contributions is consistent with the statement of Financial Soundness principles dated [dd/mm/yyyy]; and

2. The financial soundness requirement can be expected to be met by the end of the period specified in the rehabilitation plan dated [*dd/mm/yyyy*][3] **OR** The financial soundness requirement can be expected to continue to be met for the period for which the schedule is in force[4]. [*delete whichever alternative does not apply*]

The certification of the adequacy of the rates of contributions for the purpose of ensuring that the financial soundness requirement is met is not a certification of their adequacy for the purpose of securing the fund's liabilities by the purchase of annuities, if the fund were to be wound up.

Member contribution rate (category 1)	[*% of salary or nominal*]
Employer contribution rate (category 1)	[*% of salary or nominal*]
Member contribution rate (category 2)	[*% of salary or nominal*]
Employer contribution rate (category 2)	[*% of salary or nominal*]
....	

SIGNATURE

DATE

FULL NAME IN PRINT

QUALIFICATIONS

ADDRESS

NAME OF EMPLOYER OF VALUATOR (if applicable)

3 This applies where the financial soundness requirement was **not** met at the valuation date.

4 This applies where the financial soundness requirement was met as the valuation date.

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2015 [Act No. • of 2015]

The determination of the soundness of the financial position of a fund for the purposes of subsection 264(3)

Standard No. RF.S.5.5

made by NAMFISA under subsection 382(6)(n) of the Financial Institutions and Markets Act, 2015

(1) In this Standard-

“accrued benefits” means the retirement benefits of members at the valuation date;

“accrued benefits funding method” is a funding method where the technical provisions are based on the accrued pension benefits up to the valuation date;

“actuarial report” means a written report, prepared and signed by a valuator, on the financial soundness requirement of the retirement fund since the last actuarial valuation;

“actuarial valuation” means a written report, prepared and signed by a valuator, valuing the assets of the retirement fund and determining the technical provisions;

“actuarial value of assets” means the value of the assets of the fund determined by the valuator in terms of clauses The assets and liabilities of the retirement fund shall be valued by reference to the same date., In the case of a defined contribution fund, the actuarial value of the assets shall be the fair value of assets. and In the case of a fund other than a defined contribution fund, the actuarial value of the assets:;

“current liabilities” means other liabilities of the retirement fund, other than the technical provisions;

“discretionary benefits” means an increase in the pension benefits awarded to beneficiaries;

“insured benefit” means a death or disability benefit for which the retirement fund holds an insurance policy;

“solvency ratio” means the ratio of the actuarial value of the assets to the total liabilities, expressed as a percentage;

“technical provisions” means the systematic measurement of liabilities in respect of accrued benefits and of contribution rates sufficient to fund emerging benefits in accordance with this Standard, and the concomitant prudent investment of accruing contributions and investment income in assets so as to ensure the ongoing solvency of the retirement fund and the fulfilment of members’ benefit expectations;

"total liabilities" means the sum of the technical provisions and the current liabilities of the retirement fund;

1. Words and expressions used and not defined in this Standard shall have the same meaning as defined under the Act and relevant Regulations and Standards made thereunder, as the case may be.

1.1.1. This Standard shall apply to all retirement funds registered under the Act.

1.1.2. This Standard is not exhaustive and should be read in conjunction with the Act and relevant Regulations and Standards made under the Act or guidelines which NAMFISA may issue from time to time.

1.1.3. A retirement fund meets the financial soundness requirement if:

1. the solvency ratio is at least 100%; and
2. the rates of contributions to the fund are such that the condition in clause 4the solvency ratio is at least 100%; and can be expected to be met for the period for which the contribution schedule is in force.

1.1.4. The board must prepare, and from time to time review and if necessary revise, a written statement of financial soundness principles for ensuring that the financial soundness requirement is met.

1.1.5. The statement of financial principles must, at a minimum, include:

the method and assumptions to be used in calculating the fund's technical provisions and rates of contributions and confirmation that both are based on the same method and assumptions; otherwise any differences must be explained; and

(2) the period within which, and the manner in which, failure to meet the financial soundness requirement is to be rectified.

1.1.6. To determine whether the retirement fund meets the financial soundness requirement, the board must:

1. in the case of a fund that is not a defined contribution fund, obtain actuarial valuations including reports thereon at intervals of not more than three years;
2. in the case of a defined contribution fund, obtain an actuarial report at intervals of not more than three years, unless such defined contribution fund has been exempted from requiring regular investigations by a valuator.

1.1.7. The actuarial valuation or actuarial report must be submitted to NAMFISA within 180 days of the financial year end of the retirement fund.

1.1.8. In determining whether the retirement fund meets the financial soundness requirement, the assets of the retirement fund exclude:

1. assets that are not listed in the Regulation for Investments; and

2. where the valuator deems it appropriate, any rights under an insurance policy or annuity contract.

1.1.9. In determining whether the retirement fund meets the financial soundness requirement, the liabilities of the retirement fund are:

1. any liabilities in relation to the accrued benefits of members; and

2. current liabilities.

1.1.10. Where the valuator has excluded any rights under an insurance policy or annuity contract in terms of clause **where the valuator deems it appropriate, any rights under an insurance policy or annuity contract.**, the liabilities secured by the insurance policy shall be disregarded for the purposes of clause **any liabilities in relation to the accrued benefits of members; and**.

1.1.11. The assets and liabilities of the retirement fund shall be valued by reference to the same date.

1.1.12. In the case of a defined contribution fund, the actuarial value of the assets shall be the fair value of assets.

1.1.13. In the case of a fund other than a defined contribution fund, the actuarial value of the assets:

1. must be consistent with the basis used to determine the liabilities and contribution rates as per the technical provisions and clauses In determining the technical provisions of the retirement fund, the fund must use the accrued benefits funding method, using prudent assumptions. to Any change in the method or assumptions used in determining the technical provisions of the retirement fund must be justified by a change in legal, demographic or economic circumstances.; and

2. must be compared with the fair value of the assets on the valuation date.

1.1.14. The technical provision for any individual member is equal to the member's individual account. The technical provisions for the retirement fund are the aggregate of the technical provisions of all the individual members of the retirement fund.

In determining the technical provisions of the retirement fund, the fund must use the accrued benefits funding method, using prudent assumptions.

1.1.15. The technical provisions of the retirement fund must be calculated by the valuator in accordance with the statement of financial soundness principles.

1.1.16. In using the accrued benefits funding method, the board of the retirement fund should consider:

1. the technical provisions, taking into account expected future salary increases of members;

2. how the accrued benefits funding method may affect the future contributions to the retirement fund;
3. the liabilities in respect of all members of the retirement fund;
4. the current and future demographics of the retirement fund; and
5. the ability and willingness of the sponsoring employer to make advance provision for future adverse events in the technical provisions.
6. The allowance for expenses

1.1.17. In determining the prudent assumptions to be used, the retirement fund must have regard to the following principles:

1. the assumptions must be chosen prudently, taking into account, if applicable, appropriate margins for adverse deviation;
2. the rates of interest used to discount future payments of pension and other benefits must be chosen prudently and consistent with the manner in which the valuation of assets is made;
3. the mortality and demographic assumptions must be based on prudent principles, having regard to the current and expected characteristics of the members of the fund;
4. the evidence for, and rationale supporting each assumption; and
5. sensitivity of the technical provisions to the assumptions.

1.1.18. Any change in the method or assumptions used in determining the technical provisions of the retirement fund must be justified by a change in legal, demographic or economic circumstances.

Where the solvency ratio of a fund is less than 100%, the board, in consultation with the valuator, must notify NAMFISA and the sponsoring employer(s) of such solvency ratio, and must further either:

1. notify the sponsoring employer(s) that it/(they) must make a payment into the fund within a period not in excess of three (3) months that will suffice to ensure that the solvency ratio is at least 100%; or
2. in consultation with the sponsoring employer(s), the valuator and NAMFISA, develop and undertake, within a period not in excess of three (3) months, a rehabilitation plan that, in the opinion of the valuator, may be regarded as reasonably certain to ensure that the solvency ratio will be at least 100% within a specific timeframe, which timeframe must not exceed five (5) years.

1.1.19. NAMFISA may require a rehabilitation plan to be revised.

1.1.20. The rehabilitation plan must:

1. state the timeframe within which the solvency ratio of the retirement fund will be restored to 100%, which timeframe is subject to clause in consultation with the sponsoring employer(s), the valuator and NAMFISA, develop and undertake, within a period not in excess of three (3) months, a rehabilitation plan that, in the opinion of the valuator, may be regarded as reasonably certain to ensure that the solvency ratio will be at least 100% within a specific timeframe, which timeframe must not exceed five (5) years.;

2. state whether the underfunding of the retirement fund will be rectified by:

    1. an increase in contributions; or

    2. periodic payments by the employer; or

    3. any other method, which method must be adequately explained; or

    4. a combination of an increase in contributions; or, periodic payments by the employer; orand any other method, which method must be adequately explained; or;

3. include the valuator’s certification of the rehabilitation plan as per Schedule 1.

1.1.21. In preparing or revising a rehabilitation plan, the board, in consultation with the valuator, must take account of the following matters –

1. the asset and liability structure of the retirement fund;

2. its risk profile;

3. its liquidity requirements;

4. the age profile of the members; and

5. in the case of a fund under which the rates of contributions payable by the employer are determined –

    1. by or in accordance with the advice of a person other than the board; and

    2. without the agreement of the employer;

    the recommendations of that person.

1.1.22. A rehabilitation plan must be reviewed, and if necessary revised, where NAMFISA has given directives under section 384 of the Act as to the period within which, and manner in which, a failure to meet the financial soundness requirement is to be remedied.

1.1.23. Where clause **A rehabilitation plan must be reviewed, and if necessary revised, where NAMFISA has given directives under section 384 of the Act as to the period within which, and manner in which, a failure to meet the financial soundness requirement is to be remedied.** applies, the review and any necessary revision must be completed within a reasonable period after the date of the NAMFISA's directions.

1.1.24. A rehabilitation plan may be reviewed, and if necessary revised, where the board considers that there are reasons that may justify a variation to it.

1.1.25. A rehabilitation plan must specify the date on which it was prepared, or, if it has been revised, the date on which it was last revised.

1.1.26. A copy of any rehabilitation plan sent to NAMFISA by the board must be accompanied –

1. in a case where the plan has been prepared or revised following an actuarial valuation, by a summary of the information contained in the valuation; and

2. in a case where the plan has been revised in the circumstances described in clause A rehabilitation plan may be reviewed, and if necessary revised, where the board considers that there are reasons that may justify a variation to it., by an explanation of the reasons for the revision.

Schedule 1

VALUATOR’S CERTIFICATES

Form of valuator’s certification of rehabilitation plan

Name of fund

Rehabilitation plan

I, undersigned, certify that, in my opinion, the rehabilitation plan dated [dd/mm/yyyy] is expected to restore the solvency ratio of the fund to 100% by [dd/mm/yyyy].
The certification of the adequacy of the rates of contributions [*and/or*] payments by the employer to the fund for the purpose of ensuring that the solvency ratio is restored to 100%, is not a certification of their adequacy for the purpose of securing the fund’s liabilities by the purchase of annuities, if the fund were to be wound up.

____________________	____________________
SIGNATURE	DATE
____________________	____________________
FULL NAME IN PRINT	QUALIFICATIONS
____________________	____________________
ADDRESS	NAME OF VALUATOR’S EMPLOYER (If applicable)

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2015 [Act No. • of 2015]

Minimum Benefits that a Retirement Fund Must Provide to its Members

Standard No. RF.S.5.7

made by NAMFISA under subsection 382(6)(q) of the Financial Institutions and Markets Act, 2015

1. (1) In this Standard:

(a) "Act" means the *Financial Institutions and Markets Act, 2015* [Act No. • of 2015], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act;

(b) "commencement date" means the date of coming into force of the Act;

(c) "deferred member" means an active member who has not yet retired but has left the service of the employer concerned prior to the retirement date, as defined in the rules of the fund, leaving in the fund the rights of the member to such benefits as may be payable according to those rules;

(d) "Income Tax Act" means the *Income Tax Act, 1981* (Act No. 24 of 1981);

(e) "Magistrates' Courts Act" means the *Magistrates' Courts Act, 1994* (Act No.32 of 1994);

(f) "Maintenance Act" means the *Maintenance Act, 2003* (Act No. 9 of 2003);

(g) "minimum individual reserve" means the reserve determined in accordance with clauses 11 and 12 or clause 13 as applicable;

(2) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including, without limitation, the following:

(a) as defined in section 1 of the Act:

(i) NAMFISA

(b) as defined in section 242 of the Act:

(i) board[5];
(ii) defined contribution fund;
(iii) employer;
(iv) fund;
(v) member;
(vi) member's individual account

5 The definition of "board" in section 1 of the Act includes "the board of trustees of a retirement fund".

(vii) retired member;
(viii) retirement;
(ix) retirement fund; and
(x) rules.

2. Every retirement fund shall provide the minimum benefits set out in clauses 3 to 9:

3. The benefit paid to a member who ceases to be member of the fund prior to retirement in circumstances other than termination or dissolution of the fund shall not be less than the minimum individual reserve.

4. (1) Subject to sub-clause (2), in the event that a fund is terminated or dissolved pursuant to sections 270 and 271 of the Act, the benefit paid to a member must not be less than the minimum individual reserve, and except where permitted by Chapter 5 of the Act, the Income Tax Act or the Maintenance Act, benefits provided for in the rules of the fund, including an annuity purchased or to be purchased from another registered fund by the fund for a member, or a right to such benefit, or a right in respect of contributions made by or on behalf of a member shall not be reduced, transferred or otherwise ceded, and such benefits must not be pledged or hypothecated, or be liable to be attached or subject to any form of execution under a judgment or order of the court.

(2) Notwithstanding sub-clause (1), where the fair value of the assets of the fund, after recovery of any debt owed by the employer, is lower than the sum of the minimum individual reserves for all members after adjustment for any benefits paid previously and the cost of annuity policies which will provide equivalent retirement benefits to all existing members and deferred members, the minimum individual reserve may be proportionally reduced in the ratio which the fair value of the assets bears to the total of all the minimum individual reserves adjusted for any benefits paid previously plus the cost of such annuity policies.

5. In the event that a fund that is not a defined contribution fund is converted to a defined contribution fund, the amount to be credited to the member's individual account shall not be less than the minimum individual reserve, provided that, where the fair value of the assets of the fund, after recovery of any debt owed by the employer, is lower than the sum of the minimum individual reserves for all members after adjustment for any benefits paid previously and the cost of annuity policies which will provide equivalent retirement benefits to all existing members and deferred members, the minimum individual reserve may be proportionally reduced in the ratio which the fair value of the assets bears to the total of all the minimum individual reserves adjusted for any benefits paid previously plus the cost of such annuity policies.

6. The minimum individual reserve referred to in clauses 4 and 5 must not be taken into account in determining a debtor's financial position under section 65D of the Magistrates' Courts Act, nor be deemed to form part of the assets in the insolvent estate of that person.

7. At least once every three years, the board of a retirement fund, other than a defined contribution fund, commencing with the first valuation following the date of coming into force of the Act, must cause to be determined and must grant to retired members and deferred members a retirement benefits increase that must not be less than the minimum retirement benefits increase based on the policy referred to in clause 14, with effect from the valuation date in question.

8. The board of a fund, other than a defined contribution fund, must cause the determination of the minimum individual reserve of a member or a deferred member to be based on the present value of the retirement benefits or the deferred retirement benefits payable to that member inclusive of all retirement benefits increases made pursuant to clause 7.

9. Clauses 2 to 8 shall apply:

(a) on and after the date of registration in respect of a fund which is registered on or after the commencement date; and
(b) on and after the commencement date in respect of a fund which is registered prior to the commencement date.

10. If the employer or the board exercises any right that the employer or the board has in terms of the rules of the fund, as they had been defined on the date of the coming into force of the Act, to terminate, dissolve or liquidate the fund, or to terminate participation of a particular employer in the fund, prior to the commencement date or to change the basis upon which future benefits accrue prior to the date from which clause 3 applies to the fund, the members may not seek redress against the employer or the board in respect of any increase in value of the benefits that would occur as a result of the application of minimum individual reserves to the fund.

11. (1) The member's individual reserve, in the case of a member of a defined contribution fund, shall be determined by the board in accordance with the following formula or on a methodology that NAMFISA approves as substantially equivalent:

Fixed Rate Contributions + Extra Benefits + Additional Contributions + Investment Income and Capital Gains – Expenses and Capital Losses

or

FC+EB+AC+IC-X

Where:

(a) **FC** represents fixed-rate contributions paid (both member and employer contributions), or amounts transferred, into the fund, by or on behalf of the member, where the fixed-rate contributions are defined in the rules;

(b) **EB** represents amounts allocated by the board for the benefit of the member and surplus apportionment in terms of the Standard

(c) **AC** represents additional contributions paid voluntarily by the member or by the employer on the member's behalf;

(d) **IC** represents investment income and capital gains, as determined by the board; and

(e) **X** represents expenses and capital losses, as determined by the board, thus including other amounts, if any, permitted to be credited to or debited from the member's individual account.

(2) The expenses referred to in sub-clause (1) (e) include direct costs of establishing and operating the fund and any administrative, insurance and taxation costs relating to the establishment and operation of the fund.

12. In determining the minimum individual reserve of a member of a defined contribution fund, the board shall in consultation with the valuator, determine the value of the member's individual account in accordance with clause 11 plus a share of the investment reserve account, the member surplus account , and such contingency reserve accounts as the board may decide should be included, in the proportion that the value of the member's individual account as at the effective date of the calculation bears to the total value of all members' individual accounts as at that date or such other method of apportionment as the board deems reasonable.

13. In determining the minimum individual reserve of a member of a fund that is not a defined contribution fund, the board shall determine the greater of:

(a) the fair value equivalent of the present value of the member's accrued retirement benefits provided that:

(i) where there is no uniform rate of accrual over the full period of membership in the fund, the accrued deferred retirement benefits shall be calculated assuming a uniform rate of accrual as if the member had remained in service until the normal retirement date as defined in the rules of the fund, but such uniform rate of accrual shall not be less than the uniform rate of accrual that is calculated based on the period of service completed up to the date of calculation;

(ii) the determination of the present value of accrued retirement benefits must be based on assumed rates of increase consistent with the minimum benefit increase requirement of this Standard and on assumptions in regard to rates of discount, mortality, disability and retirement as prescribed by Standard No. RF.S.5.5 for such purpose; and

(iii) the term 'accrued retirement benefits" in this clause shall include the portion of any lump sum benefit payable at the normal retirement date which corresponds to prior service; and

(b) an amount equal to the amount of the member's contributions, augmented as from the date of payment of a contribution by the net rate of return on the fund plus any amount payable in terms of the rules of the fund in excess of the member's contributions.

14. The board shall establish and implement a policy with regard to increases to be granted to retired members and deferred members in accordance with clause 7 above, which policy must:

    (a) aim to award a percentage equal to at least the consumer price index, or some other measure of price inflation which is deemed suitable by the board, that will enable members to preserve purchasing power in an inflationary environment; and

    (b) set the frequency with which increases will be considered in line with the policy, provided that increases must be considered each year, with comparison to a compulsory increase at least once every three years.

15. The policy referred to in clause 14 must be communicated to retired members and deferred members at the time that it is established and at any time that it is changed.

16. The policy referred to in clause 14 will not be required where:

    (a) members on or after retirement under the rules of a fund, purchase a policy from an insurer registered under Chapter 2 of the Act;

    (b) members on whose behalf a fund, on or after the retirement date as defined in the rules of the fund, purchases a policy from an insurer registered under Chapter 2 of the Act; or

    (c) members elect to receive a level pension, or a pension with fixed increases, or a pension amount which is elected by the member from time to time, paid from the fund under the rules of the fund.

17. Notwithstanding that this Standard identifies the minimum benefits that a fund must provide to its members, the board is required properly to identify, maintain and pay all fund benefits to the members of the fund, and not just those identified as minimum benefits.

18. The Act and this Standard does not protect the benefits of a defined contribution fund from the effects of any adverse investment decisions made by the board or by investment advisors appointed by the board.