

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

**Requirement for an 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 section 264(5)**

**Standard No. RF.S.5.2**

*made by NAMFISA under sections 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) “current liabilities” means any liabilities of the retirement fund, other than the technical provisions;
- (c) “discretionary retirement or other benefits increase” means an increase in the retirement or other benefits awarded to members, spouses or beneficiaries at the discretion of the board;
- (d) “funding ratio” means the actuarial value of the assets to the total liabilities, expressed as a percentage;
- (e) “insured benefit” means a death, disability or funeral benefit or any other contingent benefit which does not form part of the retirement benefit, for which the retirement fund holds an insurance policy;
- (f) “report by a valuator” 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, and on the financial soundness requirement of the retirement fund since the last actuarial valuation;
- (g) “technical provisions” mean
  - (i) the systematic determination of accrued liabilities for retirement and other benefits;
  - (ii) the concomitant prudent investment of accruing contributions and investment income in assets; and
  - (iii) the systematic determination of contribution rates sufficient to fund emerging benefits in accordance with Standard R.F.S.5.5;

all so as to ensure the ongoing solvency of the retirement fund and the fulfillment of members’ reasonable benefit expectations;

- (h) “total liabilities” means the sum of the liabilities in respect of accrued benefits referred to above in the definition of “technical provisions” and the current liabilities of the fund;
- (i) “value of assets” means the value of the assets of the fund determined by the valuator;

(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, the valuator of such a fund and any independent valuator appointed by NAMFISA pursuant to section 264(5) of the Act.
3. The report by a valuator of a fund 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 report by a valuator may include-
  - (a) an opening statement setting out the objectives of the report and the date on which the report and the previous report were conducted;
  - (b) disclosure of any standards and guidance notes considered in preparing the report;
  - (c) a review of all the relevant developments since the previous report, including:

- (i) formal for discretionary changes/awards in respect of retirement or other benefits;
  - (ii) contribution rates paid and any changes thereto;
  - (iii) changes in the profile or characteristics of the membership, if such changes are in excess of 20%; and
  - (iv) changes in the investment policy that may reasonably be expected to increase the risk profile, or reduce the expected rate of return, of the fund's investment portfolios (e.g. shifts in the asset mix from less volatile to more volatile classes or conversely);;
- (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 report;
- (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, and risk benefits such as death, disability and other benefits are recognized in the technical provisions;
- (g) comment on appropriateness of reinsurance or self insurance of risk benefits ( where appropriate), taking into account the balance in any contingency reserve accounts and future recommended contributions for this purpose;
- (h) comments on financially significant events that have occurred since the report date, or that may be imminent, and the allowance for such events in the report, if applicable;
- (i) a summary of the assets of the retirement fund broken down into asset classes in accordance with the Regulation/s with respect to investments of retirement funds;
- (j) 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;
- (k) an assessment of the appropriateness/suitability of the asset portfolio in relation to the liability portfolio in terms of duration, liquidity requirements, expected growth rates of assts and liabilities, etcetera;

- (l) a description and justification of the valuation method and assumptions used to determine the technical provisions;
  - (m) the technical provisions, and sensitivity testing of the technical provisions against changes in financially significant assumptions;
  - (n) a comparison of the current period's technical provisions with the technical provisions at the previous report date, quantifying the changes over the valuation period;
  - (o) an analysis of the change in actuarial surplus or deficit as defined in RF.S.5.1;
  - (p) recommendations for financing any actuarial deficit or the utilization of actuarial surplus, if applicable;
  - (q) recommendations on the future contribution rates, indicating the circumstances under which contribution rates are expected to remain constant, increase or decrease;
  - (r) 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;
  - (s) the valuator must provide a certification of the adequacy of matching of assets with liabilities of the fund; and
  - (t) a certification of the suitability of the investment strategy.
5. In the case of a fund that is a defined contribution fund, the report of a valuator must include:
- (a) an opening statement setting out the objectives of the report;
  - (b) a review of all the relevant developments since the previous report, including:
    - (i) contribution rates paid and any changes thereto;
    - (ii) changes in excess of 20% in the profile or characteristics of the membership, including changes in excess of 20% in active membership or retired membership; and
    - (iii) changes in the investment policy that may reasonably be expected to increase the risk profile, or reduce the expected rate of return, of the fund's investment portfolios (e.g. shifts in the asset mix from less volatile to more volatile classes or conversely);
  - (c) a summary of the data used in the report;

- (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 or risk benefits, such as death or disability, including a clear delineation as to the financing provided by members and by employers and sponsors;
- (f) comment on appropriateness of reinsurance or self insurance of risk benefits (where appropriate), taking into account the balance in any contingency reserve accounts and future recommended contributions for this purpose;
- (g) comments on financially significant events, if any, that have occurred since the report date, or that may be imminent, and the allowance for such events in the report;
- (h) a summary of the assets of the retirement fund by asset class in accordance with any Regulation/s with respect to the investments of a retirement fund;
- (i) the determination of the technical provisions;
- (j) an assessment of the appropriateness/suitability of the asset portfolio in relation to the liability portfolio in terms of duration, liquidity requirements, expected growth rates of assets and liabilities, etcetera;
- (k) a comparison of the current period's technical provisions with the technical provisions at the previous report date, quantifying the changes over the valuation period;
- (l) 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;
- (m) a description and justification of the valuation method and assumptions used to determine the technical provisions;
- (n) the valuator must provide a certification of the matching of assets to liabilities.

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

- (a) the technical provisions and the funding 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 funding ratio

### **Schedule 2**

Form of valuator's certification of schedule of contributions

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## Schedule 1

### VALUATOR'S CERTIFICATE

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

Name of retirement fund

#### Determination of technical provisions and funding 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 for the purposes of section 264(3) of the Act. 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<sup>1</sup> dated [*dd/mm/yyyy*], as referred to in clauses 5 and 6 of RF.S.5.5

Technical Provisions	[N\$ amount]
Current liabilities	[N\$ amount]
Total liabilities	[N\$ amount]
[Actuarial] value of assets	[N\$ amount]
Current assets	
Reserves	
Funding ratio <sup>2</sup>	%

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
FULL NAME IN PRINT

\_\_\_\_\_  
QUALIFICATIONS

\_\_\_\_\_  
ADDRESS

\_\_\_\_\_  
NAME OF EMPLOYER OF  
VALUATOR (If applicable)

<sup>1</sup> Statement of financial soundness principles is a document maintained by the board as per clauses 5 and 6 of RF.S.5.5

<sup>2</sup> "funding ratio" means the lesser of the actuarial value of the assets to the total liabilities, expressed as a percentage, or the ratio of the fair value of the assets to the total liabilities, expressed as a percentage (lesser of the two ratios).

**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<sup>3</sup> dated [dd/mm/yyyy], as referred to in clauses 5 and 6 of RF.S.5.5; 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]<sup>4</sup> **OR** The financial soundness requirement can be expected to continue to be met for the period for which the schedule is in force<sup>5</sup>. [*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)

<sup>3</sup> Statement of financial soundness principles is a document maintained by the board as per clauses 5 and 6 of RF.S.5.5

<sup>4</sup> This applies where the financial soundness requirement was **not** met at the valuation date.

<sup>5</sup> This applies where the financial soundness requirement was met as the valuation date.

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