

GOVERNMENT NOTICE

RETIREMENT FUNDS

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X

2018

**STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS
ACT, 2018**

The Namibia Financial Institutions Supervisory Authority has under section 410 of the Financial Institutions and Markets Act, 2018 (Act No. X of 2018), made the standards set out in the Schedule.

**Gersom Katjimune
Chairperson**

Windhoek,

2018

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018 [Act No. • of
2018]

DRAFT STANDARD

THE DEFINITION OF “ACTUARIAL SURPLUS”

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No: RF.S.5.1

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018 [Act No. • of 2018]**Definition of “Actuarial Surplus”****Standard No. RF.S.5.1**

issued by NAMFISA under section 410(6)(a) of the Financial Institutions and Markets Act, 2018

Definitions

1. (1) In this Standard-
 - (a) “Act” means the Financial Institutions and Markets Act, 2018, and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act;
 - (b) “benefits” in relation to a fund means any amount payable to a member, dependent or nominee in terms of the fund’s rules, under the following circumstances:
 - (i) retirement;
 - (ii) death and disability;
 - (iii) member induced termination of membership;
 - (iv) employer induced termination of membership;
 - (v) liquidation or dissolution of a fund; and
 - (vi) any other circumstance as may be specified in the fund’s rules.
- (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) board;
 - (ii) NAMFISA
 - (b) as defined in section 249 of the Act:

- (i) defined benefit fund; and
- (ii) fund.

Actuarial surplus

2. In relation to a fund which is subject to actuarial valuation-
 - (a) “accrued assets” means the value of the fund on the valuation date;
 - (b) “accrued liabilities” means the value of future benefits accrued by members for service prior to the valuation date together with the value of any contingency reserve accounts established by the board of the fund;
 - (c) “accrued surplus” or “accrued deficit” means the result calculated in accordance with clause 4;
 - (d) “net actuarial surplus” or “net actuarial deficit” means the result calculated in accordance with clause 6.
 - (e) “unaccrued assets” means the value of future contributions to the fund on the valuation date;
 - (f) “unaccrued liabilities” means the value on the valuation date of future benefits for present members to be earned as a result of future service;
 - (g) “unaccrued surplus” or “unaccrued deficit” means the result calculated in accordance with clause 5;
3. This standard applies only to funds which are defined benefit funds.
4. Accrued surplus or accrued deficit is calculated as follows:

$$A - B = C$$

where

- A is the value that the valuator has placed on the accrued assets of the fund;
- B is the value that the valuator has placed on the accrued liabilities of the fund; and
- C equals:
 - an accrued surplus if C is more than zero; or
 - an accrued deficit if C is less than zero¹.

¹ If C equals zero, there is neither an accrued surplus nor an accrued deficit.

5. Unaccrued surplus or unaccrued deficit is calculated as follows:

$$D - E = F$$

where

- D is the value that the valuator has placed on the unaccrued assets of the fund;
- E is the value that the valuator has placed on the unaccrued liabilities of the fund; and
- F equals:
- an unaccrued surplus if F is more than zero; or
- an unaccrued deficit if F is less than zero².

6. (a) Net actuarial surplus means:

C, if C is more than zero and F is also more than zero³; or

$C + F$ if C is more than zero and F is less than zero, and the result is positive.

- (b) Net actuarial deficit means:

C, if C is less than zero and F is more than zero⁵; or

$C + F$, if C is less than zero and F is also less than zero⁶; or

F, if C is more than zero and F is less than zero.

² If F equals zero, there is neither an unaccrued surplus nor an unaccrued deficit.

³ Unaccrued surplus is ignored

⁴ Note that the plus sign is used since F is less than zero and the determination involved adding a negative to a positive, which means that the unaccrued deficit, if any, reduces any positive accrued surplus and can produce a net actuarial deficit if F (negative) is greater than C (positive); refer to sub-clause

⁵ The unaccrued surplus is ignored again.

⁶ In this situation, there is both an accrued deficit and an unaccrued deficit