

FSB FEEDBACK SEMINAR





AGENDA

- **GENERAL** – Marius du Toit
- **RECENT PUBLICATIONS** – Marius du Toit
- **POLICY** – Christiaan Ahlers
- **STATISTICS** – Tiffany van Tonder



GENERAL

- New Registrar of Pension Funds appointed effective August 2013
- Twin peaks
- Regulation of outsourcing pensioners
- NPA issue – focus group formed

RECENT PUBLICATIONS



VALUATION EXEMPTION

- Notice on Valuation Exemption, 2011 replaced Regulation 2
- Fewer submissions than anticipated
- Reasons investigated
- Notice currently under review

VALUATION EXEMPTION



MAJOR PROPOSED CHANGES:

- Requirements for exemption have been relaxed
- More responsibility on Board of Fund – ensure compliance
- Funds paying living annuities – under discussion

VALUATION EXEMPTION



MAJOR PROPOSED CHANGES:

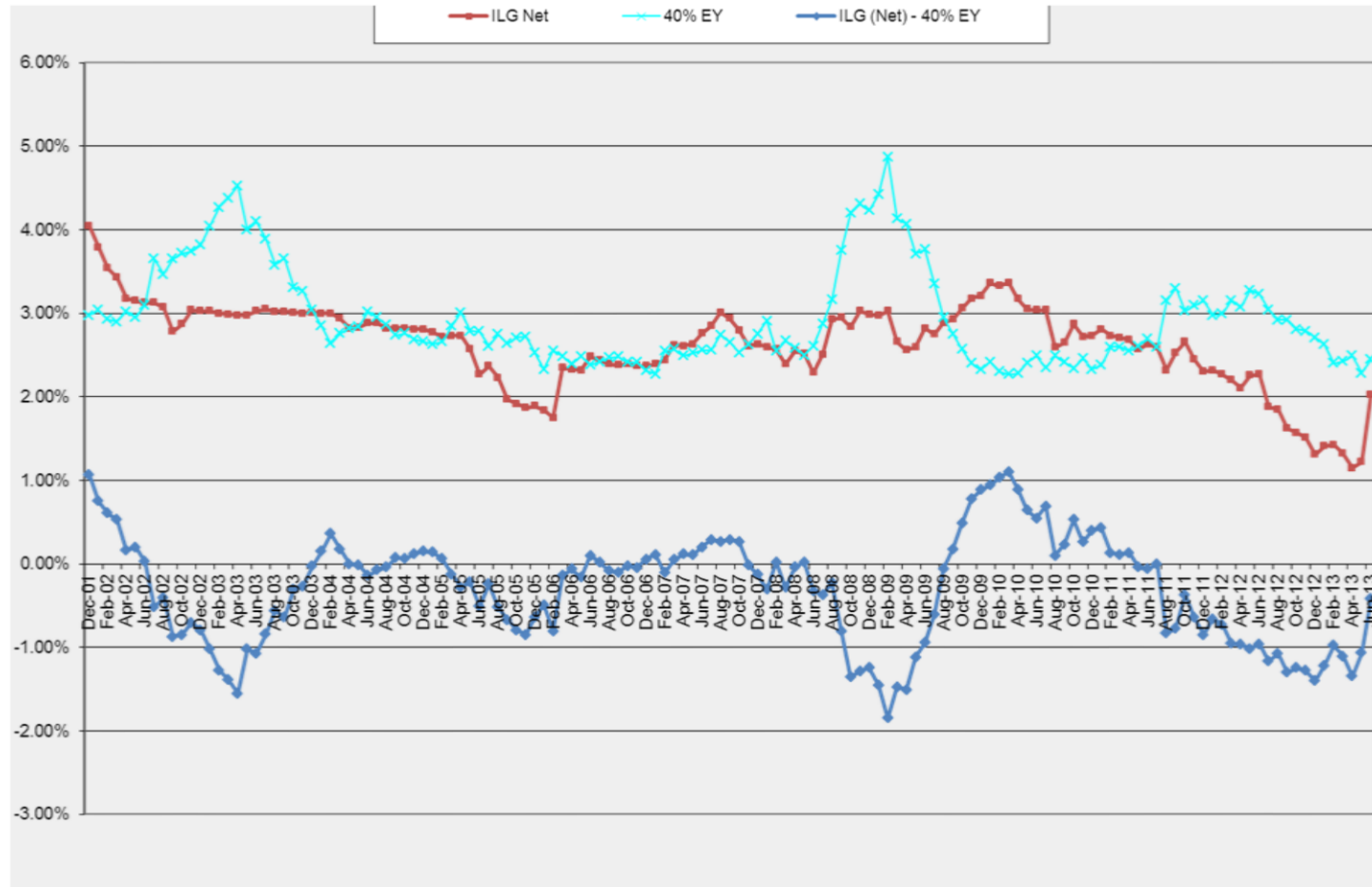
- Funds with investment reserves (smoothing) may qualify for exemption
- Removed certifications by valuator:
 - Solvency (i.e. assets > liabilities at member level)
 - Method of allocating returns based on sound principles
 - Appropriateness of assets to liabilities
- Next steps



MIR CALCULATION

- Board Notice 37 of 2007 – assumptions to determine MIR
- Concerns about divergence between EY and ILG methods - low ILG rates
- Initially both methods produced similar results
- Notice currently under review

EY vs ILG



Source: ASSA



MIR CALCULATION

- EY method more frequently used
- Both methods retained
- ERP will not be published
- Notice more user friendly
- Requirement to review valuation basis to be relevant at effective date

15G RIGHT TO SHARE IN SURPLUS UPON EXIT

- Information Circular 2 of 2013
- Issued in May 2013
- Not all funds compliant with 15G
- Right to share in surplus account on exit:
 - MSA
 - **Investment Reserve**
 - Other contingency reserves - discretionary

15G RIGHT TO SHARE IN SURPLUS UPON EXIT



- Registrar concerned about investment reserves
- Funds required to correct immediately and reimburse affected members
- Consider pensioners and their entitlement too
- Regulatory action if fail to comply



15C FUTURE SURPLUS

- Information Circular 3 of 2013
- Issued in June 2013
- Registrar expresses view
- Provide guidance to DB funds about 15C future surplus apportionments
 - Determined in terms of rules
 - Where rules silent, determined by board taking stakeholder interests into account
- Registrar not empowered to deal with complaints
- May query when e.g. rule amendments proposed



15C FUTURE SURPLUS

CONSIDERATIONS:

- Take interests of all stakeholders into account
- Employer not only party at risk – consider RBE & risks borne by different stakeholder groups
- All future surplus automatically apportioned to the ESA – may be queried?
- Strength of valuation basis may influence apportionment
- Rules silent – prudent and desirable to establish solvency reserve account prior to quantifying future surplus

POLICY



PF135 UNCLAIMED SURPLUS BENEFITS

- Draft PF Circular 135 will not be issued
- Further consultation required
- Valuation reports pended until legal position clarified



PENSION FUNDS AMENDMENT BILL

Following promulgation:

- Revision of Directive PF 3 (Section 15)
- Revision of Directive PF 6 (Section 14)
- Issuing of required subordinate legislation

FSB APPEAL BOARD



AH Roy vs Registrar & Tellumat Pension Fund

- Registrar approved s14 scheme to outsource pensioners:
 - Failure to guarantee the annual 3%↑ to which certain pensioners had an entitlement
 - RBE to expect pension ↑ > PIP as a result of favourable past experience
 - Not sharing in ESA – not reasonable & equitable, as Fund intends to liquidate
- Registrar's decision set aside

FSB APPEAL BOARD



British American Tobacco PF vs Registrar

- Registrar rejected statutory actuarial valuation report at 30 September 2007
- Following SAD, deficits arose in the fund
- 15H invoked to clear deficits, drawing on MSA and ESA in equal proportions
- Vested rights of beneficiaries of SAS affected
- Registrar's decision upheld

RESERVE ACCOUNTS

CONTINGENCY

- Opening balance
- Inflows/Outflows
- Fund return
- Closing balance

NPA

- Opening balance
- Transfers in
- Fund return
- Pension paymts
- Closing balance

SOLVENCY

- Opening balance
- Adjustments
- Closing balance

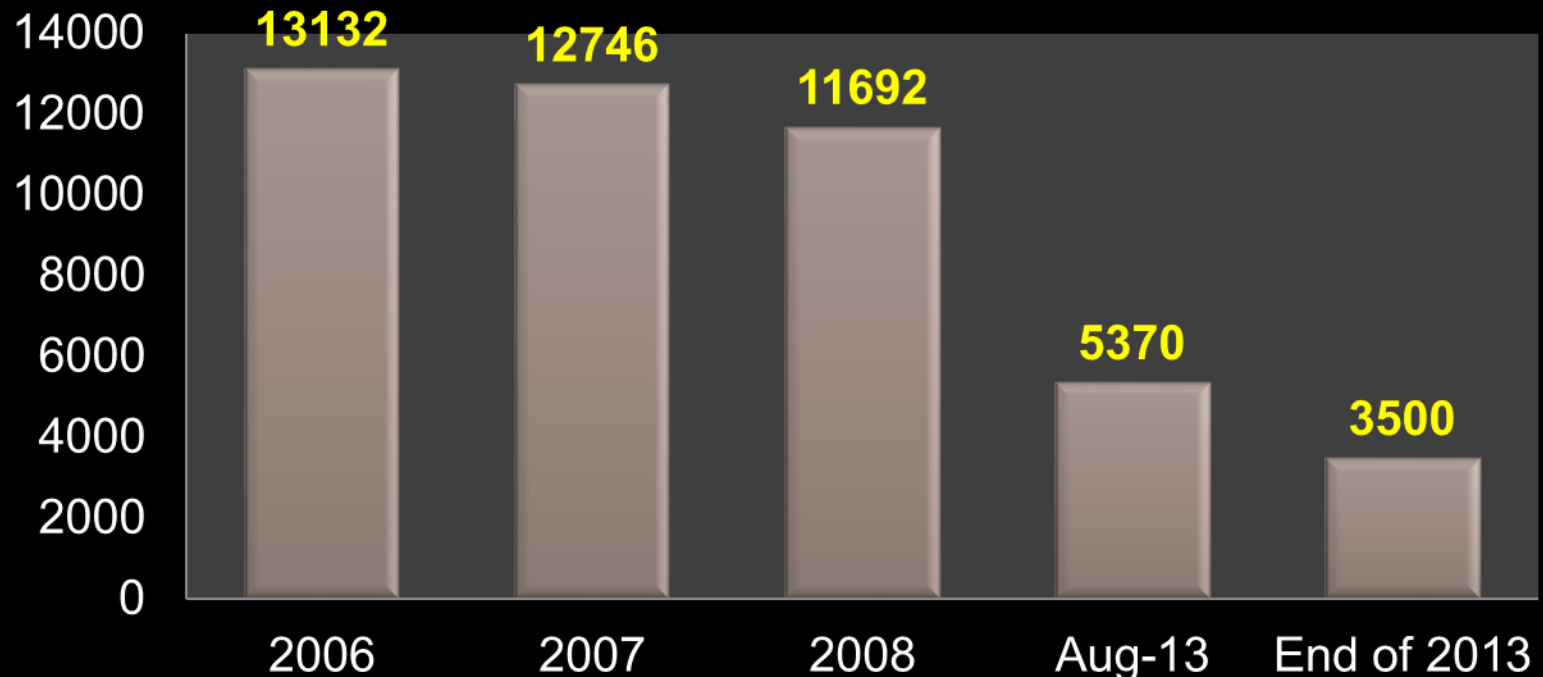
STATISTICS



HOW MANY PENSION FUNDS?



NUMBER OF ACTIVE FUNDS



SURPLUS STATISTICS

Type	Status	Standalone		Umbrella	
		Number	%	Number	%
Nil	Completed	6 592	82.4%	14 649	95%
	Not Completed	68	0.9%	98	0.6%
Surplus	Completed	1300	16.3%	612	4%
	Not Completed	37	0.5%	35	0.4%
TOTAL		7 997	100%	15 394	100%

- R48.13 billion approved to date

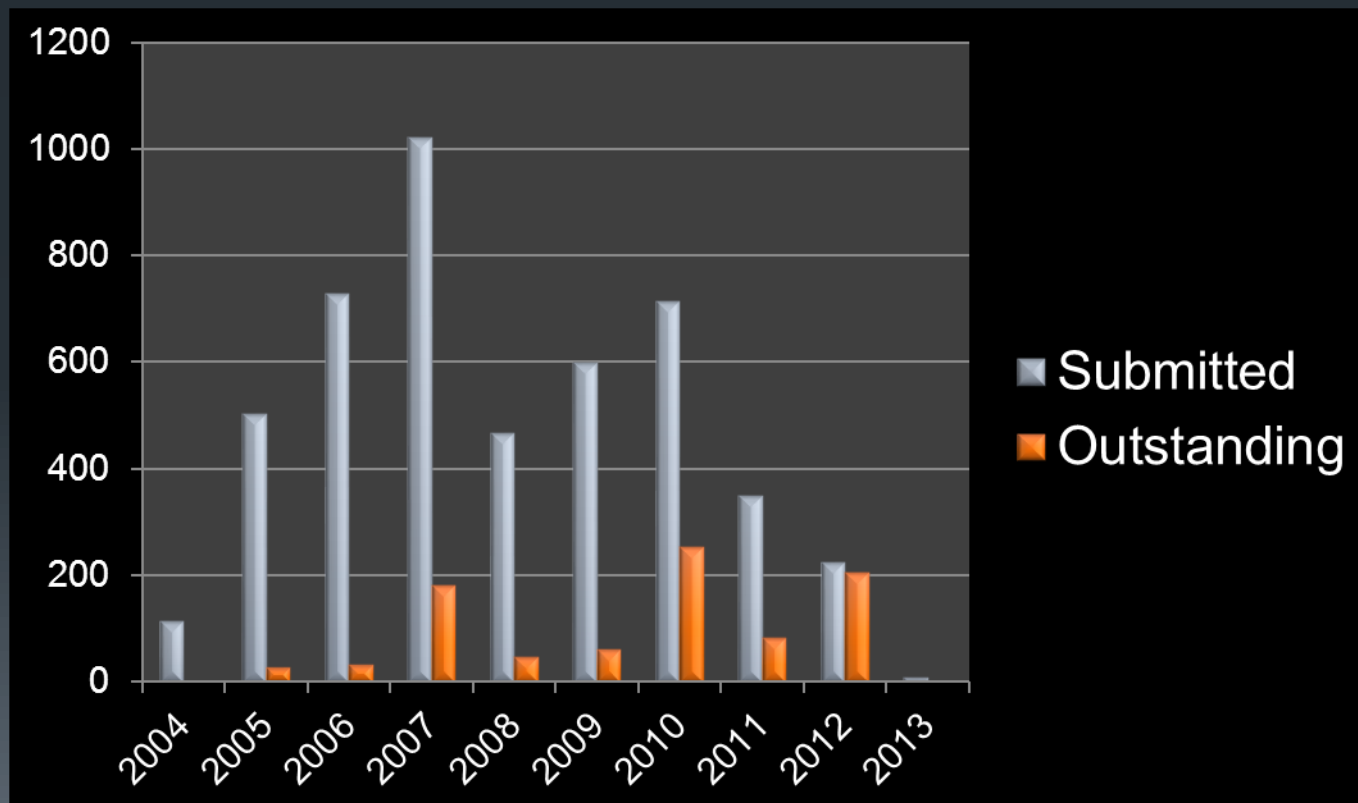


SURPLUS PROJECTS

- 45 standalone active funds outstanding
- Amendment Act – Tribunals can be appointed to bring surplus to a close
- Update of progress of surplus payments
 - Indication of amounts paid to date

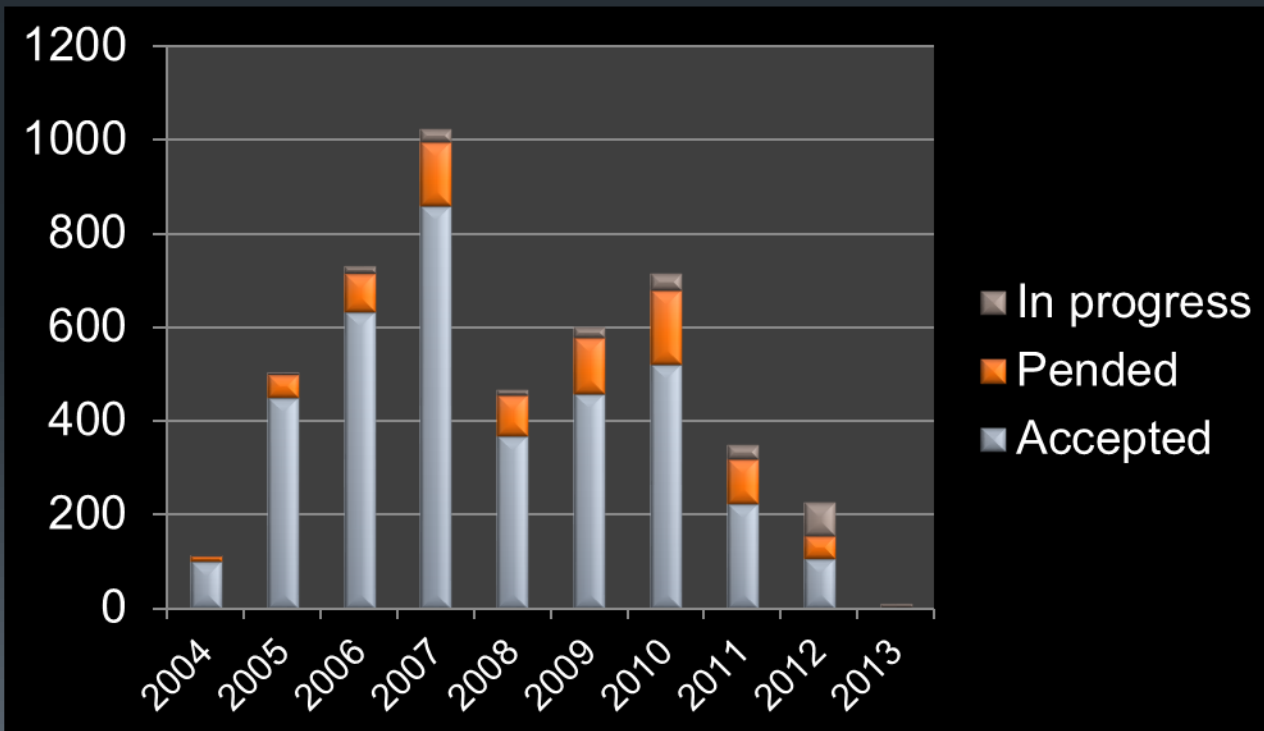
VALUATION REPORTS

OUTSTANDING VALUATIONS:



VALUATION REPORTS

SUBMITTED TO DATE:



VALUATION REPORT PROJECTS

- Outstanding submissions
- Registrar is concerned about number of long outstanding valuations – particularly DB funds
- Penalties to be imposed – extensions



VALUATION QUERIES

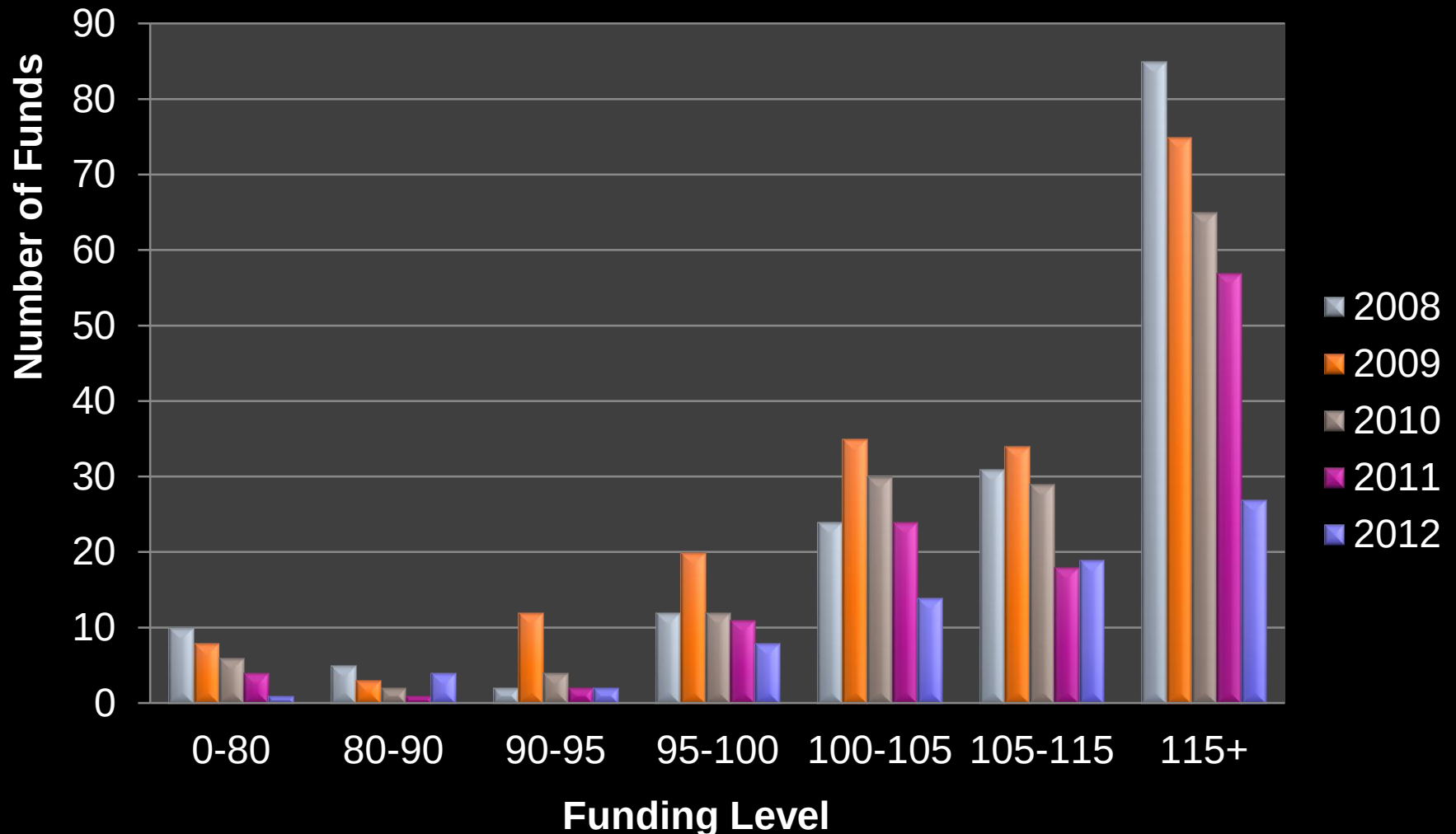
- 60 days within which to respond to queries
- 15E – reconciliation of the ESA
- 15G – investment reserves / mismatching reserves
- Changes to surplus scheme / nil returns – explain changes clearly in valuation reports

DB FUNDING LEVELS

VALUATION DATE	FUNDING LEVEL (A/L)	FUNDING LEVEL (A/(L+R))	NUMBER OF REPORTS
2007	143%	109%	190
2008	141%	124%	168
2009	123%	101%	186
2010	133%	102%	146
2011	118%	103%	116
2012	134%	118%	75

DB FUNDING LEVELS

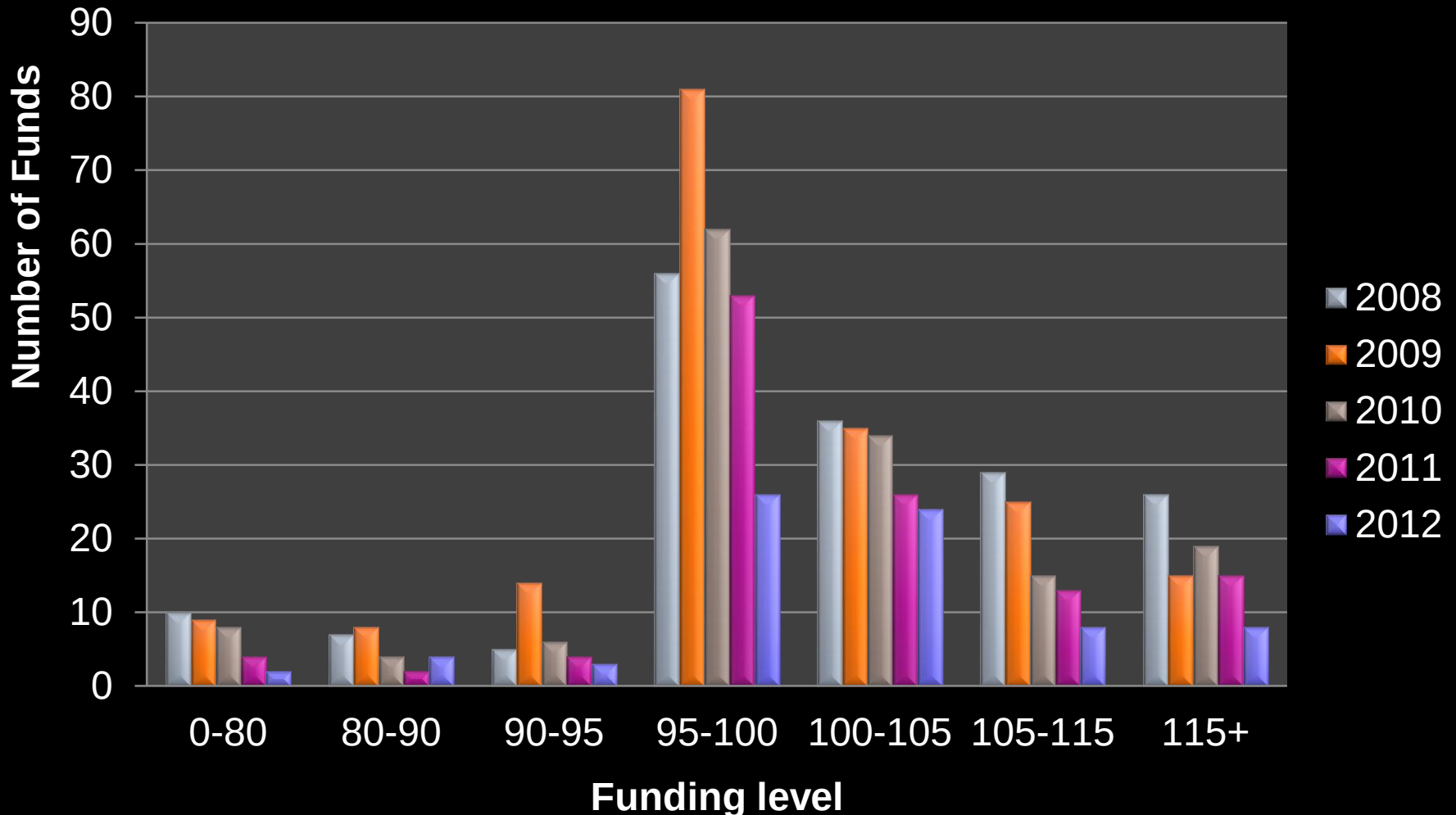
(A/L) – excluding establishment of reserves



DB FUNDING LEVELS



(A/(R+L)) – including establishment of reserves



QUESTIONS?

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