

PFR6 - ACTUARIAL
TRIENNIAL REPORT
2024

NBFIRA/RS/RF/RUL006

NBFIRA

Non-Bank Financial
Institutions Regulatory
Authority



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1 PURPOSE

- 1.1 These Rules set out the requirements for the Actuary's report for Retirement Funds, regarding both the format and minimum content of the report. The aim of these Rules is to help ensure consistency and completeness of disclosure.
- 1.2 A Retirement Fund which is required to comply with the provision of Section 32 of the Retirement Funds Act, 2022 shall keep such records as necessary to enable the actuary to make an investigation in terms of that section at any time after the effective date of the previous investigation.
- 1.3 These Rules are issued in terms of Section 64 of the Retirement Funds Act, 2022

2 SCOPE

- 2.1 The inclusion of an Actuary's report as part of the returns to the Regulatory Authority is mandatory for all Retirement Funds that are not exempt from actuarial valuation (refer to PFR7 - Application for Exemption from Actuarial Valuation).
- 2.2 The Actuary's Report is adapted from professional guidance prepared by the Actuarial Society of South Africa ("ASSA") and international standards. PFR6 applies to Actuary's Reports in respect of all non - exempt Retirement Funds operating in Botswana, regardless of the affiliated professional body of the Actuary.
- 2.3 The content of the Actuary's Report is aimed at providing necessary disclosures to allow adequate assessment of the financial position of the Retirement Fund by the Board of Trustees, the sponsoring employer(s) and the NBFIRA. The focus of the Report is therefore on the Funding Valuation Rules (PFR1).
- 2.4 These Rules apply to all Retirement Funds licensed in terms of the Act.
- 2.5 These Rules are not exhaustive and should be read in conjunction with the Act, the NBFIRA Act, other relevant Acts, Regulations and other Rules.

3 ASSOCIATED DOCUMENTS

Document	Reference
Retirement Funds Act and its Regulations	
PFR1 - the Funding Valuation Rules	
PFR3 - the annual Retirement Fund Return	
Audited Annual Financial Statements	
PFR9 is the Risk Questionnaire	
PFR7 Application for Exemption from Actuarial Valuation	
PFR8 Suitability of Retirement Fund Investments	

4 DEFINITIONS

Terms	Definition
Act	means the Retirement Funds Act, 2022 or as amended from time to time.
Actuarial Surplus	as defined in the Retirement Funds Act, 2022.
NBFIRA Act	Means the NBFIRA Act, 2023 or as amended from time to time.

5 ABBREVIATIONS

Abbreviation	Full Phrase
ASSA	Actuarial Society of South Africa.
NBFIRA	Non – Bank Financial Institutions Regulatory Authority.
PFR 1	Prudential Rule on Funding Valuation Rules.
PFR 2	Prudential Rule on Pension Fund Investment Rules.
PFR 7	Prudential Rule on Application for Exemption from Actuarial Valuation.
PFR 8	Prudential Rule on Suitability of Retirement Fund Investments.

6 RESPONSIBILITY

All licensed Retirement Funds.

7 PFR6 - ACTUARIAL TRIENNIAL REPORT

7.1 REQUIRED DISCLOSURES

The Actuary's report shall contain the following minimum information:

7.1.1 Objectives

- (a) The opening statement of the report should set out the objectives of the valuation and the dates on which the valuation and the previous valuation were conducted.

7.1.2 Retirement Fund Developments and Significant Events

- (a) A description of all relevant developments since the previous valuation of the Retirement Fund, for example:

- i. Fund Rule amendments;
- ii. Surplus or deficit;
- iii. Changes in benefits;
- iv. Discretionary benefits granted by the Board of Trustees, including pension increases;
- v. Contribution rates paid and changes thereto;
- vi. Extraordinary changes in membership;
- vii. Bulk transfers; and

viii. Changes in investment strategy

(b) Comments on financially significant events that have occurred since the valuation date, or that may be imminent, and an explanation of the allowance for these events in the valuation, if applicable.

7.1.3 Contributions and Benefits

(a) A summary of the benefits and contribution rates as set out in the Fund Rules and used in the valuation.

(b) In the case of defined contribution funds, the summary should state whether the expenses, including the premiums paid for the insurance of death and disability risks, are:

- i. Included within the defined contribution;
- ii. Paid in addition to them;
- iii. Borne out of investment returns prior to distribution to members;
or
- iv. Borne out of reserve accounts.

7.1.4 Membership Data

7.1.4.1 A summary of the membership data used in the valuation of the liabilities, showing the membership details separately for pensioners, active members and deferred members:

(a) The build-up of the number at this valuation from the corresponding number at the previous valuation, showing the number entering this category of member and the numbers leaving for reasons such as death, withdrawal, retirement;

(b) The average age of members and any change in the average age across the period since the last valuation;

(c) The annual pensions valued in respect of the pensioners and deferred member and the change across the period since the last valuation;

(d) The annual pensionable remuneration of active members and the change across the period since the last valuation; and

- (e) The steps taken by the Actuary to verify the completeness and accuracy of the data, and to ensure that the data is suitable for a test of the financial soundness of the Retirement Fund and the determination of the future contribution rates, including any tests performed on the data supplied to the Actuary.

7.1.4.2 If the Actuary has any reservations regarding the reliability of the data, the Actuary should indicate a qualification around data issues and state reasons for the data qualification.

7.1.5 Valuation Methodology and Assumptions

7.1.5.1 Valuation Method

- (a) The valuation method must be described, with an explanation given as to why it is considered appropriate for the particular valuation. Terms such as "projected unit method" must be explained if used.
- (b) A brief description of any material changes in valuation method since the previous reporting period shall be provided and reasons for changes should be explained. Disclosure of the financial effect thereof is provided for in Rule 7.1.6.2.

7.1.5.2 Assumptions

- (a) The report must include a summary of the assumptions used and an explanation of the derivation of the assumptions. Sufficient detail should be provided to enable an independent actuary to judge the financial soundness of the assumptions.
- (b) If any provisions have been made implicitly by margins in valuation assumptions, the rationale should be explained.
- (c) If these assumptions differ from those of the previous valuation, the reasons for the change must be explained in the report. Disclosure of the financial effect thereof is provided for in Rule 7.1.6.2.

7.1.5.3 Valuation of Assets

- (a) A summary of the assets valued should be given. The summary should detail the fair value and the actuarial value (if different), by class of asset, together with the basis for determination of the actuarial value of assets. Where the

asset value is different from the value in the financial statements a reconciliation and explanation of the differences should be provided.

- (b) More detail on the valuation of assets is set out in PFR 1 and PFR 2.
- (c) Where a policy of insurance is an asset and it is not possible to determine the classes of assets held by the insurer underlying that policy, then the report should state the nature of the policy, and both the fair value and the actuarial value (if different) of that policy together with the basis for determination of the actuarial value of the policy. In particular, if the policy includes vested and non-vested bonuses, the amounts of the vested and non-vested portions of the policy must be shown separately and the Actuary must state what proportion of the non-vested bonuses have been taken into account when determining the actuarial value of the policy.
- (d) Current liabilities and any pledge or other encumbrance of the assets must be deducted before determining the value that can be used to compare with the liabilities and full particulars must be provided of such deductions.

7.1.5.4 Valuation of Liabilities

- (a) The value of the Retirement Fund's accrued liabilities, using assumptions consistent with the assumptions used to value the Retirement Fund's assets. The accrued liabilities must make provision for the projection of pensionable remuneration to normal retirement age and of pensions throughout the period of retirement in a manner consistent with the Retirement Fund's pension increase policy.
- (b) More detail on the valuation of liabilities of the Retirement Fund is discussed in PFR 1

7.1.5.5 Valuation of Reserve Accounts

- (a) The value of any reserve accounts set up to meet liabilities and the reasons for the establishment of such reserve accounts. The Actuary should also indicate whether the reserves are adequate.

7.1.6 Valuation Results

- (a) The valuation results, dealing separately with pensionable service to the valuation date, and prospective future service.

7.1.6.1 Reconciliation of Results

- (a) A comparison of the valuation result with that at the previous valuation, quantifying the changes over the valuation period.

7.1.6.2 Analysis of surplus or deficit

- (a) The Actuary must analyse the change in the surplus or deficit since the previous valuation and quantify the effect of each element affecting the financial condition of the Retirement Fund.
- (b) The analysis should show the effect of any changes in methodology and assumptions and compare the actual experience of the Retirement Fund with the actuarial assumptions used and show the implications of significant deviations on the future progress of the Retirement Fund.
- (c) As this is an important check on the accuracy of the data and the continued applicability of the actuarial assumptions, this must be included in the report unless the Actuary obtains the approval of **the Regulatory Authority** to leave it out. In the case of small Retirement Funds, a full analysis may not be practical, and an indication of the main sources of surplus or deficit would be sufficient.

7.1.7 Financial Soundness

- (a) A comparison of the actuarial value of the assets with the Retirement Fund's accrued liabilities plus the balances in reserve accounts that the Actuary considers necessary in order to meet the liabilities of the Retirement Fund.

7.1.7.1 Recommendation for Financing Deficit

- (a) Recommendation for the financing of any deficit disclosed by the valuation and the additional contribution rate required to amortise it over a period acceptable to **the Regulatory Authority**, as per PFR 1.
- (b) Where the Actuary has placed an actuarial value on the assets, which is greater than the market value, and there are not sufficient free assets available in other reserve accounts to cover the difference, the Actuary must comment on the steps that should be taken by the Board of Trustees if market values

do not increase, within a reasonable period after the valuation date, to match or exceed the actuarial value of the assets.

7.1.7.2 Fund Surplus

The application of any surplus disclosed:

- (a) Where an actuarial surplus is utilised to permit the employer to take a contribution holiday, the Actuary must state for how long such a contribution holiday may be taken;
- (b) Where an actuarial surplus is distributed across individual members' accounts in a defined contribution fund, the Actuary must state the method used and comment on its fairness between different types or categories of member;
- (c) If the actuarial surplus is credited to a reserve account, the amounts allocated to each account must be disclosed.

7.1.8 Recommendation of Contribution Rates

- (a) Recommendation regarding future contribution rates, indicating under what circumstances they are expected to remain constant, increase or decrease.
- (b) The total contribution rate recommended must then be compared with the contribution rate currently being paid by the employer and active members.

7.1.9 Defined Contribution Funds

- (a) For defined contribution funds, an analysis of the rates of investment return and expenses must be provided; this should include the premiums paid for death and disability benefits accrued to individual members' accounts across the period. Where this differs by category of members, the Actuary should comment on the equity of the distribution method.
- (b) Where benefits are being projected in future as part of the information provided to members, the Actuary should state the assumptions that will be used in such a projection.
- (c) Where reserves have been held for certain contingencies, the Actuary should quantify:
 - i. Additional reserves and contributions or transfers from surplus or other resources, where reserves require strengthening; or

- ii. The reserve to be released to surplus, where there are excess reserves.
- iii. And recommend how these will be accommodated within the Retirement Fund.

7.1.10 Income Statement and Statement of Cash Flow

- (a) A consolidated income statement and statement of cash flow showing cash flows since the previous actuarial valuation.

7.1.11 Asset Statements

- (a) A summary of the assets of the Retirement Fund broken down into classes of assets (equities, property, fixed interest, cash and other), unless such a breakdown of assets is not possible, e.g. with investments in insurance policies, in which case a description of the nature of the policy should be given.

7.1.12 Suitability of Investments

- (a) The Actuary must comment on the suitability of the Retirement Fund's investments and the investment policy in relation to the nature of the Retirement Fund and its liabilities. This comment must take particular account in the case of a defined contribution fund of the method used to accrue investment returns to individual member accounts and the communication of the investment risks to the member. Further information on the considerations around the suitability of retirement fund investments is found in PFR 8.

7.1.13 Suitability of Insurance and Other Risk Measures

- (a) Comment on the appropriateness of reinsurance or self-insurance of risk benefits (if necessary), covering any reserves held and the contributions recommended for the future.

7.1.14 Presentation

- (a) The valuation report should preferably be forwarded directly to the client. If the report is forwarded through a third party, the Actuary must ensure that the report is forwarded to the client without undue delay and without modification.
- (b) Where it is not feasible for the Actuary to explain the report in person, he/she should indicate that he/she is prepared to provide his/her professional advice should it be required.

7.1.15 Summary and Certification

- (a) A summary of the valuation results and a formal certification by the Actuary regarding the financial condition of the Retirement Fund.
- (b) The Actuary's qualifications and the capacity in which he/she has signed the report.
- (c) The Actuary must draw any matters to the attention of the Board of Trustees and ***the Regulatory Authority*** in the report which might endanger the current or future financial soundness of the Retirement Fund. This will include any errors in, or concerns with, the data used for the valuation.
- (d) The Actuary may comment on the benefit structure and design, if appropriate. This is mandatory for new Retirement Funds, in which case the Actuary should discuss the aspects of Retirement Fund investigated to determine the fund viability.
- (e) The Actuary may accept the audited annual financial statements as giving a reasonable description of the fair value of the assets of the Retirement Fund.

7.2 Non-Compliance With These Rules

- (a) Non-compliance with these Rules will result in ***the Regulatory Authority*** imposing civil penalties on the non-complying persons as per Section 107 of the NBFIRA Act, 2023.

8. RECORDS

Reference Number	Record (Description of records)	Location / Holder	Retention Period	Justification
	Audited Financial Statements	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring
	Actuarial Valuation Report	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring

	Certification by Trustees	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring
	Onsite Report/Offsite Analysis	Retirement Fund File/Procurement & Administration	Preserve Permanently	Monitoring

NBFIRA

CERTIFICATION BY TRUSTEE

I
(Chairman Board of Trustees/authorised trustee)

Being a trustee of
(Name and address of Retirement Fund)

.....
.....
.....

hereby do declare that to the best of my knowledge and belief the information furnished to the Actuary for the purpose of the Actuarial valuation was correct and complete in every material respect and that a copy of the valuation report has been sent to the sponsor of the Retirement Fund.

Date:

Signature