

**BOARD NOTICE 37 OF 2003****PENSION FUNDS ACT, 1956 (ACT NO. 24 OF 1956)  
METHODS OF APPORTIONMENT DEEMED TO BE EQUITABLE**

I, Dube Phineas Tshidi, Registrar of Pension Funds, hereby under section 15B (5) (c) of the Pension Funds Act, 1956 (Act No. 24 of 1956), prescribe in the Schedule methods for the apportionment of actuarial surplus between stakeholders that shall be deemed to be equitable.

A handwritten signature in black ink, appearing to read "DP TSHIDI", with a horizontal line drawn above it.

**DP TSHIDI,  
REGISTRAR OF PENSION FUNDS**

**SCHEDULE**  
**PENSION FUNDS ACT, 1956 (ACT NO. 24 OF 1956)**  
**METHODS OF APPORTIONMENT DEEMED TO BE EQUITABLE**

**Definitions**

1. In this Schedule-  
"transfer" shall mean any transfer of a member's rights from one fund to another, with the exception of the transfer to another fund at the request of an individual member, of a benefit which he or she had the right to receive in cash in terms of the rules of the fund.

**Methods of apportionment**

2. Subject to paragraphs 3, 4, and 5 below, where the board will be apportioning actuarial surplus in terms of section 15B (5) (c), the board may use one or all of the following methods to distribute such actuarial surplus, and such methods shall be deemed to be equitable:
  - (a) After enhancement in terms of section 15B (5) (b), in the case of former members who transferred out of the fund, or who were retrenched, or members who were converted from defined benefit to defined contribution, increase the benefit previously paid, or credited to their individual accounts, to their accrued liability at the effective date of the transaction, multiplied by the ratio of the fair value to the actuarial value of the assets of the fund, immediately prior to the transaction;
  - (b) Establish a reserve for the benefit of pensioners and deferred pensioners as part of the member surplus account, which will be credited with the greater of the amount determined in terms of

section 14B (4) (b) (i) and the value of the liability in respect of pensioners and deferred pensioners, after receipt of any minimum pension increase in terms of section 14A (1) (d) and after taking account of pensioners' and deferred pensioners' reasonable expectation of future increases following adoption of the policy required in terms of section 14B (3) (a);

- (c) If not already included in the accrued liability for existing members, establish a reserve for the benefit of existing members as part of the member surplus account, which shall provide existing members with the greater of their minimum individual reserves and their accrued liabilities multiplied by the ratio of the fair value of assets to the actuarial value of assets at the surplus apportionment date: Provided that a portion of such amount, namely the difference between the fair value of assets and the actuarial value of assets in respect of such members, may credited to an investment reserve account; and
- (d) the balance of any residual actuarial surplus may be apportioned between former members, existing members and the employer in proportion to the contributions paid by the respective classes of stakeholder accumulated to the surplus apportionment date using the nett investment return earned by the fund: Provided that the valuator may use reasonable approximations in such calculations where it is not practicable to do the calculation exactly.

#### **Change of valuation method and assumptions**

3. In any calculation performed in terms of paragraph 2,

(a) the method and assumptions shall be used by the valuator as they applied in the actuarial valuation coincident with, or closest preceding, the date of the transaction: Provided that

- (i) subject to the approval of the Registrar, the board of the fund may require the valuator to adjust the method and assumptions used to determine the actuarial value of assets or the assumptions used in respect of pension increases, where the board of the fund determines that the method and assumptions were, with hindsight, inappropriate having regard to the fund's practice in respect of pension increases or insufficient to compensate exiting members, or the receiving fund, for the transfer of the investment risk;
- (ii) the Registrar may require the valuator to use the same assumptions and method as used in the statutory actuarial valuation prior to the one coincident with or immediately preceding the effective date of the event, if the Registrar is not satisfied that a change in the assumptions and method was justified as set out below; and
- (iii) actuarial surplus which has arisen from the experience of the fund after the transaction, but not as a result of the transaction, may not be taken into account when determining if the fund had sufficient assets to enable the payment of the enhanced benefit at the time of the original transaction.

- (b) Any change to the method or assumptions used in the valuation may be rejected by the Registrar if it is not supported by
- the experience of the fund modified to take account of anticipated future experience, where appropriate,
  - decisions taken at the time by the board of the fund in consultation with the actuary, or

- revision by the valuator concerned of methods and assumptions in use across all the funds valued by the valuator at that time, in a consistent manner, or
- if the valuator reverted to the method and assumptions used in the prior valuation at the following valuation.

#### **Credit for the establishment of reserves**

4. The board may, with the consent of the Registrar, take account of amounts that were transferred, or set aside in reserve accounts, in addition to the amounts credited to individual members in such transactions.

#### **Reduction if insufficient actuarial surplus**

5. If there is insufficient actuarial surplus (after enhancement by any past actuarial surplus utilised improperly in terms of section 15B(6)) to permit all transfers, conversions and retrenchments to be enhanced by the full amount as calculated above, the valuator may proportion the enhancements downwards so that the full amount available is used to fund such enhancement.

#### **Short title**

6. This Notice is called the Notice on Methods of Apportionment Deemed to be Equitable, 2003.
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