BOARD NOTICE

BOARD NOTICE 14 OF 2009

PENSION FUNDS ACT NO 24 OF 1956

REGULATORY REPORTING REQUIREMENTS FOR RETIREMENT FUNDS

I, Dube Phineas Tshidi, Registrar of Pension Funds, hereby prescribe the following Regulatory Reporting Requirements for Retirement Funds for the preparation of the annual financial statements as referred to in Board Notice 99 of 2008.

Underwritten funds and retirement annuity funds are exempted from the requirements of the Regulatory Reporting Requirements for Retirement Funds in so far as it relates to accrual basis for all financial year-ends ending during 2006, 2007, 2008 and 2009.

This Board Notice takes effect on publication hereof.

DP TSHIDI

REGISRAR OF PENSION FUNDS

REGULATORY REPORTING REQUIREMENTS FOR RETIREMENT FUNDS

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PREFACE

Historically the financial statements of retirement funds were prepared on the basis of South African Statements of Generally Accepted Accounting Practice with a number of departures. This has proved difficult to define.

Internationally it is accepted that International Financial Reporting Standards are not wholly appropriate for the retirement funds industry. It is anticipated that if global standards are developed for retirement funds, South Africa will follow those standards. However, it is unlikely that global standards will be developed in the near future.

These regulatory reporting requirements have been developed as a basis for financial reporting by retirement funds in South Africa. The requirements were finalised after a period of public consultation which allowed for input from accountants, auditors, trustees and members of retirement funds.

The Regulatory Reporting Requirements for Retirement Funds (the regulatory reporting requirements) are applicable to all retirement funds registered under the Pension Funds Act, 1956 (PFA) as amended. The regulatory reporting requirements are applicable to the financial statements of retirement funds submitted annually to the Financial Services Board (FSB).

Presentation and disclosure requirements are set out in the format of the financial statements prescribed by the Registrar. The financial statements are available on the retirement funds page of the FSB website: www.fsb.co.za. The regulatory reporting requirements address the recognition and measurement principles to be used in preparing the financial statements and also provide some guidance relating to disclosure and presentation in the prescribed format.

The regulatory reporting requirements will be updated from time to time for changes in global accounting that are appropriate for retirement fund reporting.

Where retirement funds prepare financial statements specifically for other external users or for members of the fund, the regulatory reporting requirements may not necessarily be appropriate.

The regulatory reporting requirements do not address the actuarial valuation.

Transitional provisions and a timeline for the application of the requirements for funds that currently apply a non-accrual basis of accounting will be issued by the FSB by board notice or directive.

The FSB will also determine whether certain funds may be exempted from applying the reporting requirements based on their size or nature. These exemptions will be communicated by board notice or directive.

Further guidance and examples may also be provided separately.

REPORTING CONCEPTS

Introduction

.01 This chapter outlines the concepts contained in the preparation and presentation of the financial statements submitted annually to the FSB. The purpose of these concepts are to:

- Assist drafters of the financial statements in applying the regulatory reporting requirements and in dealing with topics that are not specifically dealt with in the regulatory reporting requirements;
- Assist auditors in forming an opinion as to whether financial statements conform with the regulatory reporting requirements; and
- Assist the FSB in interpreting the information contained in financial statements prepared in conformity with the regulatory reporting requirements.

.02 These concepts do not address any specific measurement or disclosure issues, nor do they override anything specifically dealt with in any other chapter of the regulatory reporting requirements. If a conflict between these concepts and the regulatory reporting requirements were to be identified, the regulatory reporting requirements would prevail over the concepts.

.03 These concepts deal with:

- The objective of financial statements;
- The qualitative characteristics that determine the usefulness of information in financial statements; and
- The definition, recognition and measurement of the elements from which financial statements are constructed.

.04 The Board of Trustees of the retirement fund has the primary responsibility for the preparation and presentation of the financial statements. The Board of Trustees is also interested in the information contained in the financial statements even though it has access to additional information that helps it carry out its responsibilities. The Board of Trustees has the ability to determine the form and content of such additional information in order to meet its own needs. The reporting of such information is beyond the scope of these concepts and the regulatory reporting requirements.

The objective of the financial statements

.05 The objective of the financial statements is to provide information about the financial position, performance and changes in the financial position of the retirement fund that is useful to the FSB

.06 The information in the financial statements is, however, limited by the fact that the financial statements largely portray the financial effects of past events.

.07 Financial statements also reflect the accountability of the Board of Trustees for the resources entrusted to it.

Financial position, performance and changes in financial position

.08 Information about the financial position of the retirement funds is primarily provided in the statement of net assets and funds. Information about performance of, and changes in the financial position is primarily provided in the statement of changes in net assets and funds.

.09 The component parts of the financial statements interrelate because they reflect different aspects of the same transactions or other events.

Notes and supplementary schedules

.10 The financial statements also contain notes and supplementary schedules and other information that is relevant to the FSB regarding items reflected in the statement of net assets and funds and the statement of changes in net assets and funds.

Underlying assumptions

Accrual basis

.11 The financial statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid), and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Financial statements prepared on the accrual basis provide information not only regarding past transactions involving the payment and receipt of cash but also of obligations to pay cash in the future and of resources that represent cash to be received in the future.

Going concern

.12 The financial statements are normally prepared on the assumption that a retirement fund is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the retirement fund has neither the intention nor the need to liquidate or curtail materially the scale of its operations. If such an intention or need exists, the financial statements may have to be prepared on a different basis.

Qualitative characteristics of financial statements

.13 Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability.

Understandability

.14 An essential quality of the information provided in financial statements is that it is readily understandable.

Relevance

.15 To be useful, information must be relevant to the needs of the FSB. Information has the quality of relevance when it helps the FSB to evaluate past, present or future events or to confirm, or correct, its past evaluations.

Materiality

.16 The relevance of information is affected by its nature and materiality. In some cases, the nature of information alone is sufficient to determine its relevance. In other cases, both the nature and materiality are important.

.17 Information is material if its omission or misstatement could influence the economic decisions of the FSB taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.

Reliability

.18 To be useful, information must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon to represent faithfully that which it either purports to represent or could reasonably be expected to represent.

.19 Information may be relevant but so unreliable in nature or representation that its recognition may be potentially misleading. In those instances, it may be inappropriate for the retirement fund to recognise an amount in the statement of net assets and funds or the statement of changes in net assets and funds, although it may be appropriate to disclose the information in the notes to the financial statements.

Faithful representation

.20 To be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent. Thus, for example, a statement of net assets and funds should represent faithfully the transactions and other events that result in assets, liabilities and funds of the retirement fund at the reporting date which meet the recognition criteria.

.21 Most financial information is subject to some risk of being less than a faithful representation of that which it purports to portray. This is not due to bias, but rather to inherent difficulties either in identifying the transactions and other events to be measured or in devising and applying measurement and presentation techniques that can convey messages that correspond with those transactions and events. In certain cases, the measurement of the financial effects of items could be so uncertain that retirement funds generally would not recognise them in the financial statements. In other cases, however, it may be relevant to recognise items and to disclose the risk of error surrounding their recognition and measurement.

Substance over form

.22 If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. However, in the retirement funds environment, where an event requires approval by the FSB it should not be accounted for until the approval is obtained. The Pension Funds Act will in all cases supersede the rules of the fund however, the rules of the fund must be drafted in compliance with the act and should be prescriptive in terms of the accounts and reserves to be maintained.

Neutrality

.23 To be reliable, the information contained in financial statements must be neutral; that is, free from bias. Financial statements are not neutral if, by the selection or presentation of information, they influence the making of a decision or judgement in order to achieve a predetermined result or outcome.

Prudence

.24 The preparers of financial statements do, however, have to contend with the uncertainties that inevitably surround many events and circumstances, such as the collectability of doubtful receivables. Such uncertainties are recognised by the disclosure of their nature and extent and by the exercise of prudence in the preparation of the financial statements. Prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow, for example, the creation of excessive provisions, the deliberate understatement of assets or income, or the deliberate overstatement of liabilities or expenses, because in this case the financial statements would not be neutral and, therefore, would not have the quality of reliability.

Completeness

.25 To be reliable, the information in financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.

Comparability

.26 The financial statements of a retirement fund must be comparable through time in order to identify trends in the retirement fund's financial position and performance. It must also be possible to compare the financial statements of different retirement funds in order to evaluate their relative financial position, performance and changes in financial position. Hence, the measurement and display of the financial effect of like transactions and other events must be carried out in a consistent way by retirement funds and over time.

.27 An important implication of the qualitative characteristic of comparability is that the financial statements describe the accounting policies employed in the preparation of the financial statements, any changes in those policies, and the effects of such changes.

.28 The need for comparability should not be confused with mere uniformity and should not be allowed to become an impediment to the introduction of improved accounting practices. It is not appropriate for a retirement fund to continue accounting in the same manner for a transaction or other event if the policy adopted is not in keeping with the qualitative characteristics of relevance and reliability. It is also inappropriate for a retirement fund to leave its accounting policies unchanged when more relevant and reliable alternatives exist.

.29 Because users wish to compare the financial position, performance and changes in financial position of a retirement fund over time, it is important that the financial statements show corresponding information for the preceding period.

.30 In terms of regulatory requirements prior year figures are not adjusted for changes in accounting policies and errors. Full disclosure should be given in the current year, where possible to facilitate comparability.

Constraints on relevant and reliable information

Timeliness

.31 If there is undue delay in the reporting of information it may lose its relevance. The Board of Trustees may need to balance the relative merits of timely reporting and the provision of reliable information. To provide information on a timely basis it may often be necessary to report before all aspects of a transaction or other event are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to the FSB, which has had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the requirements of the FSB.

Balance between benefit and cost

.32 The balance between benefit and cost is a pervasive constraint rather than a qualitative characteristic. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a judgemental process.

Balance between various qualitative characteristics

.33 In practice a balance between various qualitative characteristics is often necessary. Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objective of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgement.

True and fair view/fair presentation

.34 Financial statements are frequently described as showing a true and fair view of, or as presenting fairly, the financial position, performance and changes in financial position of the retirement fund. Although these concepts are not dealt with directly, the application of the principal qualitative characteristics and the regulatory reporting requirements normally results in financial statements that convey what is generally understood as a true and fair view of, or as presenting fairly, such information.

The elements of financial statements

.35 Financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics. These broad classes are termed the "*elements*" of financial statements. The elements directly related to the measurement of financial position in the statement of net assets and funds are assets, liabilities, and funds and reserves. The elements directly related to the measurement of performance in the statement of changes in net assets and funds are income and expenses. The statement of changes in net assets and funds also reflects changes in the financial position reflected in the statement of net assets and funds.

Financial position

.36 The elements directly related to the measurement of financial position are assets, liabilities, and funds and reserves. These are defined as follows:

- An asset is a resource controlled by the retirement fund as a result of past events and from which future economic benefits are expected to flow to the retirement fund;
- A liability is a present obligation of the retirement fund arising from past events, the settlement of which is expected to result in an outflow from the retirement fund of resources embodying economic benefits; and
- Funds and reserves are the residual interest in the assets of the retirement fund after deducting all its liabilities.

.37 The definitions of an asset and a liability identify their essential features but do not attempt to specify the criteria that need to be met before they are recognised in the statement of net assets and funds. Thus, the definitions embrace items that are not recognised as assets or liabilities in the statement of net assets and funds because they do not satisfy the criteria for recognition discussed in paragraphs .57 to .72. In particular, the expectation that future economic benefits will flow to or from a retirement fund must be sufficiently certain to meet the probability criterion in paragraph .58 before an asset or liability is recognised.

.38 In assessing whether an item meets the definition of an asset, liability or fund, attention needs to be given to its underlying substance and economic reality and not merely its legal form.

Assets

.39 The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the retirement fund. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows.

.40 The assets of the retirement fund are used to support its liabilities to its members.

.41 Many assets, for example, property, plant and equipment, have a physical form. However, physical form is not essential for the existence of an asset.

.42 Many assets, for example, receivables and property, are associated with legal rights, including the right of ownership. In determining the existence of an asset, the right of ownership is not essential. Although the capacity of a retirement fund to control benefits is usually the result of legal rights, an item may nonetheless satisfy the definition of an asset even when there is no legal control.

.43 The assets of a retirement fund result from past transactions or other past events. Retirement funds normally obtain assets by purchasing them, but other transactions or events may generate assets. Transactions or events expected to occur in the future do not in themselves give rise to assets; hence, for example, an intention to purchase an asset does not, itself, meet the definition of an asset.

.44 There is a close association between incurring expenditure and generating assets but the two do not necessarily coincide. Hence, when a retirement fund incurs expenditure, this may provide evidence that future economic benefits were sought but is not conclusive proof that an item satisfying the definition of an asset has been obtained. Similarly the absence of a related expenditure does not preclude an item from satisfying the definition of an asset and thus becoming a candidate for recognition in the statement of net assets and funds; for example, items that have been donated to the retirement fund may satisfy the definition of an asset.

Liabilities

.45 An essential characteristic of a liability is that the retirement fund has a present obligation. An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner.

.46 A distinction needs to be drawn between a present obligation and a future commitment. A decision by the Board of Trustees to acquire assets in the future does not, of itself, give rise to a present obligation. An obligation normally arises only when the asset is delivered or the retirement fund enters into an irrevocable agreement to acquire the asset. In the latter case, the irrevocable nature of the agreement means that the economic consequences of failing to honour the obligation leave the retirement fund with little, if any, discretion to avoid the outflow of resources to another party.

.47 The settlement of a present obligation usually involves the retirement fund giving up resources embodying economic benefits in order to satisfy the claim of the other party. Settlement of a present obligation may occur in a number of ways; for example, by:

- Payment of cash;
- Transfer of other assets;
- Provision of services; or
- Replacement of that obligation with another obligation.

An obligation may also be extinguished by other means, such as a creditor waiving or forfeiting its rights.

.48 Liabilities result from past transactions or other past events.

.49 Some liabilities can be measured only by using a reliable degree of estimation. Some retirement funds describe these liabilities as provisions. Thus, when a provision involves a present obligation and satisfies the rest of the definition of a liability, it is a liability even if the amount has to be estimated.

Funds and reserves

.50 Although funds and reserves are defined in paragraph .35 as a residual, they may be sub-classified in the statement of net assets and funds. Such classifications can be relevant when they indicate legal or other restrictions on the use of those funds and reserves.

.51 The creation of reserves in a retirement fund is required by the PFA and the rules of the fund.

Performance

.52 The elements of income and expenses are defined as follows:

- Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in funds and reserves; and
- Expenses are decreases in economic benefits during the accounting period in the form of outflows or the depletion of assets or incurrence of liabilities that result in decreases in funds and reserves, other than those relating to distributions or transfers of funds and reserves.

.53 The definitions of income and expenses identify their essential features but do not attempt to specify the criteria that would need to be met before they are recognised in the statement of changes in net assets and funds. Criteria for the recognition of income and expenses are discussed in paragraphs .57 to .72.

Income

.54 Income arises both in the course of ordinary activities of a retirement fund and from gains that may, or may not, arise in the course of the ordinary activities of a retirement fund; for example, income arising on the disposal of non-current assets.

.55 The definition of income also includes unrealised gains; for example, those arising on the revaluation of financial instruments and those resulting from increases in the carrying amount of long-term assets unless otherwise prescribed in the regulatory framework.

Expenses

.56 The definition of expenses encompasses those expenses that arise in the course of the ordinary activities of the retirement fund and losses that meet the definition of expenses and may, or may not, arise in the course of the ordinary activities of the retirement fund.

.57 The definition of expenses also includes unrealised losses; for example, those arising from the effects of increases in the rate of exchange for a foreign currency in respect of the investments of a retirement fund in that currency. When losses are recognised in the statement of changes in net assets and funds, they are usually displayed separately because knowledge of them is useful for the purpose of making economic decisions.

Recognition of the elements of financial statements

.58 Recognition is the process of incorporating in the statement of net assets and funds or statement of changes in net assets and funds an item that meets the definition of an element and satisfies the criteria for recognition set out in paragraph .58. It involves the depiction of the item in words and by a monetary amount and the inclusion of that amount in the statement of net assets and funds or statement of changes in net assets and funds' totals. Items that satisfy the recognition criteria should be recognised in the statement of net assets and funds or statement of changes in net assets and funds. The failure to recognise such items is not rectified by disclosure of the accounting policies used nor by notes or explanatory material.

.59 An item that meets the definition of an element should be recognised if:

- It is probable that any future economic benefit associated with the item will flow to or from the retirement fund; and
- The item has a cost or value that can be measured with reliability.

.60 In assessing whether an item meets these criteria and therefore qualifies for recognition in the financial statements, regard needs to be given to the materiality considerations discussed in paragraphs .16 and .17. The interrelationship between the elements means that an item that meets the definition and recognition criteria for a particular element, for example, an asset, automatically requires the recognition of another element, for example, income or a liability.

The probability of future economic benefit

.61 The concept of probability is used in the recognition criteria to refer to the degree of uncertainty that the future economic benefits associated with the item will flow to or from the retirement fund. The concept is in keeping with the uncertainty that characterises the environment in which a retirement fund operates. Assessments of the degree of uncertainty attaching to the flow of future economic benefits are made on the basis of the evidence available when the financial statements are prepared. For example, when it is probable that a receivable owed to a retirement fund will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognise the receivable as an asset.

Reliability of measurement

.62 The second criterion for the recognition of an item is that it possesses a cost or value that can be measured with reliability as discussed in paragraphs .18 to .25 of this chapter. In many cases, cost or value must be estimated; the use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. When, however, a reasonable estimate cannot be made the item is not recognised in the

statement of net assets and funds or statement of changes in net assets and funds. For example, the expected proceeds from a lawsuit may meet the definitions of both an asset and income as well as the probability criterion for recognition; however, if it is not possible for the claim to be measured reliably, it should not be recognised as an asset or as income; the existence of the claim, however, would be disclosed in the notes, explanatory material or supplementary schedules.

.63 An item that, at a particular point in time, fails to meet the recognition criteria in paragraph .58 may qualify for recognition at a later date as a result of subsequent circumstances or events.

.64 An item that possesses the essential characteristics of an element but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary schedules. This is appropriate when knowledge of the item is considered to be relevant to the evaluation of the financial position, performance and changes in financial position of a retirement fund by the users of financial statements.

Recognition of assets

.65 An asset is recognised in the statement of net assets and funds when it is probable that the future economic benefits will flow to the retirement fund and the asset has a cost or value that can be measured reliably.

.66 An asset is not recognised in the statement of net assets and funds when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the retirement fund beyond the current accounting period. Instead such a transaction results in the recognition of an expense in the statement of changes in net assets and funds. This treatment does not imply either that the intention of the Board of Trustees in incurring expenditure was other than to generate future economic benefits for the retirement fund or that the Board of Trustees was misguided. The only implication is that the degree of certainty that economic benefits will flow to the retirement fund beyond the current accounting period is insufficient to warrant the recognition of an asset.

Recognition of liabilities

.67 A liability is recognised in the statement of net assets and funds when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Recognition of income

.68 Income is recognised in the statement of changes in net assets and funds when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities.

.69 The procedures normally adopted in practice for recognising income are applications of these recognition criteria. Such procedures are generally directed at restricting the recognition as income to those items that can be measured reliably and have a sufficient degree of certainty.

Recognition of expenses

.70 Expenses are recognised in the statement of changes in net assets and funds when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

.71 Expenses are recognised in the statement of changes in net assets and funds on the basis of a direct association between the costs incurred and the recognition of specific items of income. This process, commonly referred to as the matching of costs with revenues, involves the simultaneous or combined recognition of revenues and expenses that result directly and jointly from the same transactions or other events. However, the application of the matching concept outlined in this chapter does not allow the recognition of items in the statement of net assets and funds which do not meet the definition of assets or liabilities.

.72 When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised in the statement of changes in net assets and funds on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expenses associated with the using up of assets such as property, plant and equipment; in such cases the expense is referred to as depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

.73 An expense is recognised immediately in the statement of changes in net assets and funds when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of net assets and funds as an asset.

An expense is also recognised in the statement of changes in net assets and funds in those cases where a liability is incurred without the recognition of an asset.

Measurement of the elements of financial statements

.74 Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the statement of net assets and funds and statement of changes in net assets and funds. This involves the selection of the particular basis of measurement.

.75 A number of different measurement bases are employed to different degrees and in varying combinations in financial statements. They include the following:

- Historical cost: Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or, in some circumstances, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business;
- Current cost: Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently;
- Realisable (settlement) value: Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Liabilities are carried at their settlement values; that is, the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business; and
- Present value: Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

DEFINITIONS

Accounting policies	The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements
Actuarial surplus	Actuarial surplus in relation to a fund which is: • Subject to actuarial valuation means the difference between: - The value that the valuator has placed on the assets of the fund less any credit balances in the member and employer surplus accounts; and - The value that the valuator has placed on the liabilities of the fund in respect of pensionable service accrued by members prior to the valuation date together with the value of the amounts standing to the credit of those contingency reserve accounts which are established or which the Board of Trustees deems prudent to establish on the advice of the valuator; • Exempt from actuarial valuation means the difference between: - The fair value of the assets of the fund less any credit balances in the member and employer surplus accounts; and - The sum of the values of the amounts standing to the credit of all the accounts held for individual members, whether contributory or paid-up, plus the value of any other liabilities plus the amounts standing to the credit of any investment reserve account set up to facilitate the smoothing of fund return credited to member accounts and such contingency reserve accounts which are established or which the board deems prudent to establish.
Additional voluntary contributions	Contributions over and above a member's normal contributions, if any, that a member or employer elects to pay in order to secure additional benefits.
Amortised cost	The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.
Available-for-sale financial assets	Non-derivative financial assets that are designated as available for sale or are not classified as: • Loans and receivables; • Held-to-maturity investments; or • Financial assets at fair value through the statement of changes in net assets and funds
Beneficiary	Any person who is entitled to a benefit from a retirement fund that has become due and is capable of being paid and that has accrued to such person in terms of the rules of the fund or in terms of a decision by the Board of Trustees of the fund and who is not a member or pensioner of the retirement fund (e.g. minor children in receipt of benefits, in terms of death-benefit allocations from the primary member).

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Benefit administrator	A person approved in terms of section 13(B) of the PFA and appointed by a retirement fund in terms of an administration agreement in which the members of the Board of Trustees delegate their functions, on behalf of that retirement fund, to the administrator to administer the contributions, income, benefits and expenditure of such fund. This administration function may also include the safe custody of the assets of the fund and the disposition of benefits defined in the rules of the retirement fund, provided that such administration function should not include control over the assets of the retirement fund other than operating a banking account in the name of the fund or the safe custody of documents of the fund. The appointment of a benefit administrator requires approval from the FSB.
Carrying amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Change in accounting estimate	An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.
Close family members of an individual	Those family members who may be expected to influence, or be influenced by, that individual in their dealings with the retirement fund. They may include: • The individual's domestic partner and children; • Children of the individual's domestic partner; and • Dependants of the individual or the individual's domestic partner.
Closing price	The closing price of a security is the last trading price before the exchange or market on which it is traded closes for the day.
Collective investment schemes	These are schemes, including an open-ended investment company, where members of the public may invest money or other assets, and in terms of which: • Two or more investors contribute money or other assets to and hold a participatory interest in a portfolio of the scheme through shares, units or any other form of participatory interest; and • The investors share the risk and the benefit of investment in proportion to their participatory interest in a portfolio of the scheme or on any other basis determined in the deed, but not a collective investment scheme authorised by any Act other than the Collective Investment Schemes Control Act, 2002.
Commencement of the lease term	The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

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Constructive obligation	An obligation that derives from a retirement fund's actions where: • By an established pattern of past practice, published policies or a sufficiently specific current statement, the retirement fund has indicated to other parties that it will accept certain responsibilities; and • As a result, the retirement fund has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
Contingent asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the retirement fund.
Contingent liability	A contingent liability is either: • A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the retirement fund; or • A present obligation that arises from past events but is not recognised because: - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or - The amount of the obligation cannot be measured with sufficient reliability.
Contingent rent	That portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of amount of future use, future price indices, future market rates of interest).
Contributions	The amounts paid or payable by a member and/or his or her employer to the fund, in terms of the rules of the retirement fund.
Contribution holiday	A contribution holiday, in relation to a: • defined benefit category of a fund, means payment by the employer of less than the contribution rate the valuator recommends be payable by the employer, taking into account the circumstances of the fund and ignoring any surplus or deficit; or • defined contribution category of a fund, means payment by the employer of less than the employer contribution rate defined in the rules prior to application of any credit balance in any employer reserve account as defined in the rules or employer surplus account.
Control	The power to govern the financial and operating policies of a retirement fund.
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
Deferred benefits	Paid-up benefits arising in terms of the rules of the fund upon termination of employment or membership, which will then only become payable to such member subsequently (if allowed in the rules of the retirement fund or upon attaining normal retirement age, as prescribed in the rules of the retirement fund)

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Deferred pensioner	A person that has withdrawn from service or has terminated his or her membership of the retirement fund and has elected to receive a deferred benefit, as described in the rules of the fund.
Defined benefit fund	A fund, which is not a defined contribution fund, in which the rules specify the benefits to be paid, usually based on years of service, membership and on final salary or final average salary and where the employer ordinarily undertakes to finance the balance of the cost, after allowing for member contributions, if any.
Defined contribution fund	A fund where the rates of contributions of both the member and employer are specified in the rules and where benefits relate directly to contributions received, together with interest or bonuses arising from the investment performance of the fund.
Dependant	In relation to a member, this means: • a person in respect of whom the member is legally liable for maintenance; • a person in respect of whom the member is not legally liable for maintenance, if such person: - was, in the opinion of the person managing the business of the fund, upon the death of the member in fact dependent on the member for maintenance; or - is the spouse of the member, including a party to a customary union according to Black law and custom or to a union recognised as a marriage under the tenets of any Asiatic religion; or • a person in respect of whom the member would have become legally liable for maintenance, had the member not died.
Depreciable amount	The cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life.
Derecognition	The removal of a previously recognised financial asset or financial liability from a retirement fund's statement of net assets and funds.
Derivative	A financial instrument or other contract with all three of the following characteristics: • its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); • it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and • it is settled at a future date.

Effective interest method	A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a retirement fund shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases where it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the retirement fund shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Financial asset	Any asset that is: • Cash; • An equity instrument of another entity; or • A contractual right: - To receive cash or another financial asset from another entity; or - To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the retirement fund
Financial asset or financial liability at fair value through statement of changes in net assets and funds	A financial asset or financial liability that meets either of the following conditions: • It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is: - Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; - Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or - A derivative. • Upon initial recognition it is designated by the retirement fund as at fair value through the statement of changes in net assets and funds. A retirement fund may use this designation only when doing so results in more relevant information, because either - It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an

	accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or - A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the retirement fund's key management personnel.
Financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial liability	Any liability that is a contractual obligation: - To deliver cash or another financial asset to another entity; or - To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the retirement fund.
FSB	Financial Services Board
Funding	The provision in advance for future liabilities by the accumulation of assets, ordinarily external to the employer's normal business.
Funding rate	This is a term sometimes used to describe the rate required to fund the benefits under a defined benefit fund. The employers contribution rate is determined by deducting the member contribution rate from the funding rate.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity that a retirement fund has the positive intention and ability to hold to maturity other than: • Those that the retirement fund upon initial recognition designates as at fair value through the statement of changes in net assets and funds; • Those that the retirement fund designates as available for sale; and • Those that meet the definition of loans and receivables. A retirement fund shall not classify any financial assets as held to maturity if the retirement fund has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that: • Are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; • Occur after the retirement fund has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or • Are attributable to an isolated event that is beyond the retirement

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	fund's control, is non-recurring, and could not have been reasonably anticipated by the retirement fund.
Hybrid funds	A fund that has both defined benefit and defined contribution members within the same fund.
Impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.
Inception of the lease	The earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.
Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Investment administrator	A person appointed by a fund in terms of an investment administration agreement in terms of which the Board of Trustees delegates its function to invest the fund's assets, within a specified investment strategy and mandate, to such investment administrator. The appointment of an investment administrator requires approval from the FSB.
Investment contract	Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.
Key management personnel	Those persons having authority and responsibility for planning, directing and controlling the activities of the retirement fund, directly or indirectly, including any trustees or the principal officer of that retirement fund.
Lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Lease term	The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.
Legal obligation	An obligation that derives from: • A contract (through its explicit or implicit terms); • Legislation; or • Other operation of law.

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Linked policies	Please refer to the definition of a linked policy in directive 146 *The Application of Linked and Market Related Policies as Defined in the Long-Term Insurance Act, Act 52 Of 1998* issued by the insurance department of the FSB.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: • those that the retirement fund intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the retirement fund upon initial recognition designates as at fair value through the statement of changes in net assets and funds; • those that the retirement fund upon initial recognition designates as available for sale; or • those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale. An interest acquired in a pool of assets that are not loans or receivables (for example, an interest in a mutual fund or a similar fund) is not a loan or receivable.
Look-through principle	This principle entails looking through a policy or investment scheme to the underlying investments. The application of the look-through principle in terms of regulation 28 requirements and the Reserve Bank reporting requirements differs.
Material	Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor. Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.
Member	Any member, former member, or pensioner that has not yet received all the benefits available to them in terms of the rules of the fund.
Minimum benefits	Preparers of the financial statements are referred to sections 15B and 15G of the PFA and any amendments to these sections.

Monitoring person	In terms of section 13A(6)(a) and (b) of the PFA, the principal officer of the fund or any authorised person of the fund must ensure that the fund achieves compliance with section 13A. This person is responsible to ensure that contributions towards retirement and certain other contributions to pension funds are made timeously and that the necessary documentation is forwarded to the persons who oversee compliance. The authorised person must be authorised by the Board to perform the function in terms of section 13A and the Registrar must be notified of the appointment in writing.
Nominee	This is a company which: • Has as its principal object to act as representative of any person; • Is precluded by its memorandum of association from incurring any liabilities other than those to persons on whose behalf it holds property; • Has entered into an irrevocable agreement with another person in terms of which that other person has undertaken to pay all expenses of and incidental to its formation, activities, management, and liquidation; and • Has been approved by the Registrar, subject to such conditions as he may impose, including any guarantee for the fulfilment of any obligation in respect of the holding of such property, the generality of the afore-going provisions not being restricted by the provisions of this paragraph.
Non-cancellable lease	A lease that is cancellable only: • Upon the occurrence of some remote contingency; • With the permission of the lessor; • If the lessee enters into a new lease for the same or an equivalent asset with the same lessor, or • Upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.
Non-linked policies	These insurance policies are not linked policies as defined in directive 146 issued by the insurance department of the FSB and are designated as such by the insurer. The policies generally have a guarantee attached to them, which means that, regardless of the performance of the market, the fund will be paid a minimum of the guaranteed amount. The return on these investments consists of capital appreciation and dividends, rentals, and interest received. This investment product might have a vested and non-vested portion. The vested portion represents the actual amount declared as being vested by the insurer and the non-vested amount is the difference between total value of insurance policy and the vested portion The non-vested portion normally vests over a number of years.
Onerous contract	A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it
Open-ended investment company (OEIC)	An OEIC is a company with an authorised share capital, which is structured in such a manner that it provides for the issuing of different classes of shares to investors, each class of share representing a separate portfolio with a distinct investment policy.
Operating lease	A lease that does not transfer substantially all the risks and rewards incidental to ownership

Participating (sponsoring) employer	An employer that establishes and/or makes contributions to a fund for the benefit of the employees. This extends to ex-employers that no longer make contributions to the fund.
Pension fund	A funding arrangement, as defined in the PFA, to provide pension and/or other benefits for members on retiring and, after a member's death, for his or her dependants or nominees. At least two-thirds of the benefits due at retirement are to be taken as a pension in terms of the Income Tax Act, 1962.
Pensioner	A person that is currently entitled to a regular pension from a retirement fund.
PFA	Pension Funds Act, 1956.
Principal officer	In terms of section 8 of the PFA, every registered fund shall have a principal officer. The principal officer of a registered fund shall be an individual who is resident in the Republic. The main responsibilities of the principal officer are contained in the PFA. The principal officer has to confirm compliance with his or her duties by signing the statement of responsibility by the principal officer.
Prior period errors	Omissions from, and misstatements in, retirement funds' financial statements for one or more prior periods arising from a failure to use, or from misuse of, reliable information that: • was available when financial statements for those periods were authorised for issue, and • could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
Prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: • Applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and • Recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
Provident fund	Any fund (other than a pension fund or retirement annuity fund) that is approved by the Commissioner of the South African Revenue Services (SARS) and is registered under the provisions of the PFA. The total benefit at retirement may be taken as a cash lump sum, subject to income tax.
Provision	A liability of uncertain timing or amount.
Recoverable amount	The higher of an asset's net selling price and its value in use.
Registrar	The registrar of pension funds, as appointed in terms of the PFA.
Regulated exchanges	These are exchanges that have been granted full membership by the World Federation of Exchanges.
Reinsurance contract	An insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant.

Reinsurance proceeds	Reinsurance proceeds (received from the reinsurer) are paid out to a member in case of death or disabilities. This will only be applicable where a fund has reinsured itself against death or disabilities with a reinsurer or is self-insured.
Residual value	The estimated amount that a retirement fund would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Retirement annuity fund	Any other fund (other than a pension fund or provident fund) that is approved by the Commissioner of the South African Revenue Services (SARS) or, in the case of any such fund established on or after 1 July 1986, is registered under the provisions of the PFA.
Segregated investment portfolio	This usually refers to an investment portfolio managed by an insurer or asset manager approved by the FSB in which the assets are specifically identified, and held in the name of the fund via a custodian.
Significant influence	Significant influence is the power to participate in the financial and operating policy decisions of a retirement fund, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.
Statutory valuation	A fund is required to have its financial condition investigated once every three years at the expiration of a statutory financial year unless exemption has been granted by the FSB. The statutory valuation is to be tabled with the Registrar within 12 months of the effective date unless an extension has been requested from and granted by the Registrar in writing. Any valuation tabled at the FSB becomes a statutory valuation.
Surplus improperly utilised	Surplus improperly utilised consists of any of the following amounts incurred from 1 January 1980 or since the date of the fund's commencement or such earlier date agreed to by the employer to the surplus apportionment date: • The cost of benefit improvements for executives in excess of the cost that would have applied had the executives enjoyed the benefits provided to other members; • The cost of any additional pensions or deferred pensions or lump sum benefits granted to selected members in lieu of the employer's obligation to subsidise medical costs of those members after retirement; • The cost to recognise prior pensionable service for selected members or for members transferred into the fund in excess of any amount paid into the fund in respect of such prior service; and • The value of any contribution holiday enjoyed by the employer after the commencement date.
Transaction costs	Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the retirement fund had not acquired, issued or disposed of the financial instrument.
Unclaimed benefit	A benefit from a retirement fund, having become due and capable of being paid, shall be regarded as an unclaimed benefit after a defined period has elapsed from the date of exit of the member from the retirement fund. Such defined period may be determined by the rules of the fund or it may be a practice adopted by the fund, provided that any legislative provision specifying or affecting such defined period shall take precedence over the

	rules and practice of a fund. For taxation purposes, a benefit is deemed to have accrued to a member within six months after the date of exiting a retirement fund or, for death benefits in terms of GN 35, six months after resolution date; this does not affect the defined period or the date upon which a benefit becomes an unclaimed benefit for the purposes of these requirements.
Underwritten funds	If a fund is administered by an insurer, and all the assets of the fund are invested in policies of insurance, and if the fund was previously exempted from requiring an audit in terms of section 2(3)(a) of the PFA, such funds are referred to as underwritten funds. Such funds now have to submit audited financial statements to the Registrar on an annual basis. The administering insurer submits these statements on behalf of the underwritten funds.
Useful life	The period over which an asset is expected to be available for use by a retirement fund
Valuation basis/ Valuation method	The collection of assumptions used by an actuary in the valuation of a fund. The approach used by the actuary when conducting an actuarial valuation. A variety of methods can be used, but the method or methods used in a particular case are to be made clear in the actuarial report.

INVESTMENTS

Introduction

.01 The fund classifies its investments into the following categories: financial assets at fair value through the statement of changes in net assets and funds, loans and receivables, and held-to-maturity financial assets. The classification depends on the purpose for which the investments were acquired. The trustees determine the classification of the fund's investments at initial recognition and, with the exception of those held at fair value through the statement of changes in net assets and funds, re-evaluate this at every reporting date.

.02 Purchases and sales of financial assets are recognised on trade date – the date on which the retirement fund commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through the statement of changes in net assets and funds, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through the statement of changes in net assets and funds are initially recognised at fair value, and transaction costs are expensed in the statement of changes in net assets and funds.

.03 Financial assets and liabilities are offset and the net amount reported in the statement of net assets and funds only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

.04 Financial assets are derecognised when the right to receive cash flows from the investments has expired or on trade date when they have been transferred and the fund has also transferred substantially all risks and rewards of ownership.

.05 Gains or losses arising from changes in the fair value of 'financial assets at fair value through the statement of changes in net assets and funds' are presented in the statement of changes in net assets and funds in the period in which they arise.

.06 Financial assets are designated as fair value through the statement of changes in net assets and funds if they are managed and performance is evaluated on a fair value basis and they meet the relevant designation criteria. (Refer to definition of 'financial assets at fair value through the statement of changes in net assets and funds'.) Information about these financial assets is provided internally on a fair value basis to the trustees of the fund. Assets that are part of these portfolios are designated upon initial recognition at fair value through the statement of changes in net assets and funds.

Recognition and measurement

Kruger Rands

.07 Kruger Rands are measured at fair value using the closing price per a regulated exchange.

Loans (other than housing loans) – loans and receivables

.08 Loans comprise loans to individuals, companies, participating employers and other loans.

.09 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the fund intends to sell in the short term or that it has designated as at fair value through the statement of changes in net assets and funds. Loans and receivables are measured at fair value.

Debentures

.10 Debentures comprise investments in listed and unlisted debentures.

Listed debentures

.11 The fair value of listed debentures traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted debentures

.12 Unlisted debentures are financial assets with fixed or determinable payments and fixed maturity. Fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the unlisted debenture.

Bills and bonds

.13 Bills and bonds comprise investments in government or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds

.14 The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted bills and bonds

.15 A market yield is determined by using appropriate yields of existing bonds and bills that best fit the profile of the instrument being measured and based on the term to maturity of the instrument. Adjusting for credit risk, where appropriate, a discounted cash flow model is then applied, using the determined yield, in order to calculate the fair value.

Investment properties

.16 A property held for long-term rental yields or capital appreciation that is not occupied by the fund is classified as investment property. Investment properties comprise investments in commercial properties, residential properties, industrial properties and hospitals. Investment properties are carried at fair value.

.17 Investment properties are reflected at valuation on the basis of open-market fair value at the statement of net assets and funds date. If the open-market valuation information cannot be reliably determined, the fund uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets for transactions of a similar nature. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

.18 The open-market fair value is determined annually by independent professional valuators.

.19 Changes in fair value are recorded in the statement of net changes in assets and funds by the fund.

Equities

.20 Equity instruments consist of equities with primary listing on the JSE, equities with secondary listing on the JSE, foreign listed equities and unlisted equities. (Where securities are listed on more than one stock exchange, one listing is described as the 'primary listing' and the others as 'secondary listings'. A primary listing would be subject to the full requirements applicable to listing on that exchange while secondary listings typically have fewer requirements.)

.21 Equity instruments designated as fair value through the statement of net changes in assets and funds by the fund are initially recognised at fair value on trade date.

Listed equities

.22 Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based

on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted equities

.23 If a quoted closing price is not available i.e. for unlisted instruments, the fair value is estimated using pricing models, or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the equity instrument. Reference can also be made to the International Private Equity Valuation Guidelines for private equity investments.

Preference shares

.24 The fair value of preference shares classified as fair value through the statement of net changes in assets and funds by the fund is calculated as shown below.

Listed preference shares

.25 The fair value of listed preference shares traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted preference shares

.26 In respect of unlisted preference shares, the fair value is determined by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of preference shares.

.27 A market yield is determined by using appropriate yields of existing listed preference shares that best fit the profile of the instrument being measured. A discounted cash flow model is then applied using the determined yield, in order to calculate the market value.

Insurance policies

.28 The value of insurance policies is determined as set out below.

Non-linked related policies

.29 Non-linked investment policies with insurers are valued on the basis of the policyholder's retrospective contribution to assets (i.e. accumulation at the actual investment return achieved on gross premiums).

Linked or market-related policies

.30 If the policy is unitised, the value is equal to the market value of the underlying units. Other linked or market-related policies are valued at the market value of the underlying assets for each policy, in line with the insurer's valuation practices.

.31 *Smooth bonus policies*

The fund value is equal to the total value of contributions received plus bonuses declared less expenses charged to the member, with a minimum value of zero. Bonuses include vested and non-vested bonuses to the extent that it is not expected that there will be significant variability in the value of non-vested bonuses. At the end of each year, a final bonus rate is calculated and declared. This rate does not necessarily reflect the investment return, as a portion of the investment return can be held in a Bonus Smoothing Account by the underwriter, which can be used in future periods. The fund value does not include the Bonus Smoothing Account.

.32 *Pensioner annuity policies*

Pensioner annuity policies purchased in the name of the fund with the insurer are disclosed as an asset of the fund and included under investments. The corresponding pensioner liability is included under funds and reserves. These policies are valued, equivalent to the financial soundness valuation as certified by the insurer.

.33 *Stable fund policies*

Fund value represents an accumulated value as certified by the underwriter of the policy, which is calculated as the opening balance plus contributions less fees plus an interim (estimated) investment return. At the end of each month the interim investment return is updated to reflect the actual investment return.

.34 *Performance profits policies*
These products are similar to the Stable fund policies in nature; however, they have been recorded at Surrender Value as certified by the underwriter of the policy. Surrender Value represents the amount a member would receive in cash on exiting from the fund in advance of their chosen retirement date.

.35 *Reversionary bonus policies*
Fund value is determined using the financial soundness valuation method as certified by the insurer.

.36 *Fixed bond policies*
The maturity values of these products are fixed. Fund value is calculated as the expected discounted maturity value determined as the expected present value of the future cash flows from the policy using an appropriate discount rate.

.37 *Secured index bond policies*
The maturity values of these products are fixed. The product contains a smoothed bonus portion to it, i.e. there is a guaranteed minimum maturity value. Fund value is calculated as the expected discounted maturity value taking into account the guaranteed minimum maturity value. The expected maturity value is the expected present value of the future cash flows from the policy using an appropriate discount rate.

.38 *Secured policies*
These investments have a fixed return for the life of the policy as declared by the underwriter. The underwriter declares monthly unit prices based on the return generated by the assets supporting the policy. Fund value is calculated as the unit price multiplied by the number of units held at year-end by the member.

.39 *Growth Preserver policies*
These policies comprise a combination of market-linked product and smoothed product. Fund value is calculated as unit price multiplied by the number of units.

.40 *Unitised smoothed bonus policies*
This product is similar to the smoothed bonus product above; however, it is unitised. The final bonus rates are earned as additional units. The unit price is calculated on a monthly basis. Fund value is calculated as unit price multiplied by the number of units. Unit allocations to policies are accounted for in the period in which the allocation occurs.

Collective investment schemes

.41 Investments in collective investment schemes are initially recognised at fair value, net of transaction costs that are directly attributable to the investment. Investments in collective investment schemes are subsequently measured at fair value, which is the quoted unit values, as derived by the collective investment scheme administrator with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

Derivative market instruments

.42 Derivative market instruments consist of options, equity index-linked instruments, futures/forwards – SAFEX/foreign, currency swaps and interest rate swaps.

.43 Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from regulated exchange quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fund does not classify any derivatives as hedges in a hedging relationship.

.44 The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Options

.45 Options are valued using option pricing models.

Futures forwards

.46 The fair value of publicly traded derivatives is based on quoted closing prices for assets held or liabilities issued, and current offer prices for assets to be acquired and liabilities held.

Swaps

.47 Swaps are valued by means of discounted cash flow models, using the swap zero curve from a regulated exchange, e.g. BESA, to discount fixed and variable rate cash flows, as well as to calculate implied forward rates used to determine the floating interest rate amounts. The net present values of the fixed leg and variable leg of the swap are offset to calculate the fair value of the swap.

Investment in participating employer(s)

.48 Investments in participating employer(s) comprise loans, investments in listed and unlisted equities and other investments.

.49 Refer to the relevant policies in respect of each instrument for the measurement criteria to be applied.

Other investments – held at fair value

.50 The measurement criteria with respect to investments in hedge funds, private equity etc. need to be considered on a case-by-case basis as the arrangements and/or agreements will differ and thus can have a material impact on the accounting treatment. A generic measurement criterion for investments in hedge funds has been set out below.

Hedge funds

.51 Hedge fund investments are designated as fair value through the statement of net changes in assets and funds by the fund and are initially recognised at fair value on trade date.

Listed

.52 Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds. The fair value of hedge fund investments traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted – where investor (fund) has no right to the underlying – investment partners

.53 Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds. The value of the financial asset owned by the fund is measured in relation to the percentage holdings by each investment partner in the total fair value of the hedge fund. The fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the hedge fund instruments.

Unlisted – where investor (fund) has a right to the underlying

.54 Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds. As the fund has the right to the underlying instruments, a look-through principle is applied, and the underlying instruments are separately measured and disclosed. The fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the hedge fund instruments.

Structured products

.55 Investments in structured products should be valued at the gross total fair value of all the underlying instruments included in the structure and/or arrangement. If there are instruments within the structured product that require different treatment, these may need to be treated separately.

Presentation and disclosure

Statement of net assets and funds

.56 Investments are included under non-current assets.

Notes to the financial statements

.57 The note for investments is in the form of an investment summary. The investment summary excludes cash at bank and direct housing loans, as these items are disclosed separately in the statement of net assets and funds. The note includes information on the valuation of the property.

.58 The allocation between local and foreign assets must be given. Whether the investment is measured at amortised cost or fair value and how it is categorised are also disclosed.

.59 The investment summary categorises equities into:

- Equities with primary listing on the JSE
- Equities with secondary listing on the JSE
- Foreign listed equities
- Unlisted equities

.60 The line items relating to insurance policies and collective investment schemes must only include the totals of these investment policies split between local and foreign assets. The look-through principle does not apply to these line items on the investment summary.

.61 A reconciliation of the opening balance to the closing balance of investment property is disclosed in the notes. The line item for transfer to/from owner-occupied properties is used when the nature of the use of the property has changed from an investment property to property, plant and equipment and vice versa.

CASH

Cash and deposits

.01 Cash and deposits comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and deposits are measured at fair value.

HOUSING LOAN FACILITIES

Introduction

.01 In accordance with section 19(5) of the PFA, and if the rules of the retirement fund allow, a fund may grant a loan to a member or furnish a guarantee in favour of a bank in respect of a loan granted or to be granted to a member of the fund for housing loan purposes.

.02 The housing loan or guarantee should be granted against security such as the member's benefit or immovable property that belongs either to the member or his or her spouse and is occupied by the member or his or her dependant. For the purpose of this disclosure, the member fund credit provided as surety should be considered and disclosed.

.03 The rate of interest charged on direct fund housing loans may not be less than the rate of interest prescribed by regulation unless specific exemption is granted.

.04 Housing loans granted to members, plus the interest accrued, are redeemable over a period not exceeding 30 years in equal monthly or weekly instalments. If the period extends beyond the normal retirement date of the particular member, the outstanding balance of the housing loan may not exceed one-third of the total value of the benefit due to the member at the retirement date.

Recognition and measurement

.05 Housing loans are measured at fair value.

.06 Housing loans are derecognised when the right to receive cash flows from the member has expired or been transferred and the fund has also transferred substantially all risks and rewards of ownership.

.07 Note that direct loans are treated in terms of paragraphs .08 and .09 of the chapter on investments.

Presentation and disclosure

Statement of net assets and funds

.08 Housing loan facilities (only the direct fund housing loan part) are disclosed as a single line item under non-current assets in the statement of net assets and funds. The details of the movement on direct housing loans are disclosed in the housing loan facilities note.

Statement of changes in net assets and funds

.09 Interest on housing loans is disclosed under net investment income in the statement of changes in net assets and funds. Amounts defaulted on housing loans by active members of the fund are disclosed as benefits in the statement of changes in net assets and funds.

Notes to the financial statements

.10 A reconciliation of housing loans from the beginning to the end of the period is disclosed in the notes. Major categories of movements are included in detailed columns. These categories consist of housing loans granted, housing loans repaid, interest capitalised on outstanding loans, or any other significant adjustments.

.11 The following additional disclosure is required in respect of housing loan guarantees granted to financial institutions:

- Name of the financial institution;
- Value of the guarantee and the guarantee facility;
- Expiry/renewal date of the guarantee;
- Number of guarantees; and
- Total percentage of the benefit that may be encumbered for this purpose (in terms of the scheme or arrangement with the retirement fund and the financial institution).

RESERVES

Introduction

.01 Categories of reserves are defined in the PFA and/or the approved rules of retirement funds. Amounts are allocated to these reserves as described in the PFA and/or the rules of the fund. Rights and entitlements to the reserves of a retirement fund are defined in the PFA and/or the rules of the fund.

Recognition and measurement

.02 Reserve accounts comprise particular amounts of designated income and expenses and are recognised in the period in which such income and expenses accrue to the retirement fund.

Presentation and disclosure

Statement of net assets and funds

.03 The total of all the funds' reserves is disclosed under the funds and liabilities section in the statement of net assets and funds. This total of reserves should comprise all the reserves, as required by the PFA and accommodated in the rules of the fund and duly adjusted for transactions affecting each reserve account.

Statement of changes in net assets and funds

.04 Reserve account movements are reflected in the statement of changes in net assets and funds under the appropriate reserve column, with the corresponding line item to which it applies. This total should agree with the gross total of all reserves in the statement of net assets and funds.

Investment return allocated reserve accounts

.05 This amount represents the investment return that is allocated to the total of the reserve accounts, as per the dedicated return earned on the investments which represents such reserve accounts. This amount is reflected as 'investment return allocated reserve accounts'.

Transfer between reserve accounts

.06 This amount represents the transfer between particular reserve accounts and is often the result of accounting corrections or actuarial proposals. These amounts are reflected as 'transfers between reserve accounts' in a separate line item.

Notes to the financial statements

.07 Details of all transactions during the accounting period that impacted on the various categories of reserves are disclosed in the notes. These transactions effectively provide the source for allocations to and from the various reserves, which are prescribed in the PFA and/or the rules of the fund (or as per advice from the actuary/valuator to the retirement fund and approved by the Board of Trustees).

.08 Some of the fund's reserve accounts would be affected by the surplus apportionment scheme. This will be particularly relevant where surplus was previously retained in a general reserve and upon approval of the surplus apportionment scheme, the surplus will be transferred from this account in appropriate proportions to the member and/or employer surplus account. Movements in reserves should be disclosed as required by the PFA and/or the rules of the fund.

.09 The allocation of investment return to each reserve account should be represented by the investment return earned from the dedicated underlying investments or as allocated by the fund in terms of the rules where the underlying investments are not allocated directly to reserves. Income received and expenditure incurred, which is described by the PFA and/or the rules of the fund, should be allocated appropriately to each reserve account

SURPLUS

Introduction

.01 The Pension Funds Second Amendment Act, 2001, recognised the entitlement of members and former members of retirement funds to surpluses in retirement funds within a defined period. The surplus calculations are dependent on the first statutory valuation of the fund following the enactment of the legislation and guidance was provided by the Registrar to retirement funds, in order to perform the calculations.

Any surplus as determined by the valuator which arises after the surplus apportionment date must be dealt with in terms of the rules of the fund. If the rules are silent then the Act will prevail.

Recognition and measurement

.02 Surplus apportionments are recognised on the date when the surplus apportionment scheme is approved by the Registrar, as contained in the written approval issued by him in this regard.

.03 Surplus is measured at the values contained in the surplus apportionment scheme approved by the Registrar on the surplus apportionment date of the fund. These amounts are adjusted for investment return or late payment interest until date of approval of the scheme as guided by the PFA and/or the rules of the fund.

Presentation and disclosure

Statement of net assets and funds

.04 Surplus amounts on surplus apportionment date include any historical surplus improperly utilised by a retirement fund. Upon approval of the surplus scheme, the long-term portion of any improper use of surplus by a participating employer is recognised in the statement of net assets and funds as a non-current asset. The current portion (any amount due to the fund within a year) is disclosed under current assets.

.05 A contribution holiday taken by a participating employer after the surplus apportionment date but prior to the approval of the surplus apportionment scheme is also considered an improper utilisation of surplus. These amounts of surplus improperly utilised should be disclosed under current assets.

.06 The member surplus account contains surplus allocated to current and former members of the retirement fund. This account is governed by the PFA and is formed in accordance with the PFA and/or the rules of the fund. Once the surplus apportionment scheme has been approved, the amounts of surplus assigned to the active members and former members on surplus apportionment date are transferred to the member surplus account. This account is disclosed as a separate line item under the members' funds and surplus account line item for defined contribution funds and the funds and surplus account line item for defined benefit funds.

.07 The employer surplus account contains surplus allocated to the employer. This account is governed by the PFA and is formed in accordance with the PFA and/or the rules of the fund. Once the surplus apportionment scheme has been approved, the amounts of surplus assigned to the employer on the surplus apportionment date are transferred to the member surplus account. The employer surplus account is disclosed under non-current liabilities, as the period within which the employer surplus account may be utilised cannot be determined at the surplus apportionment date.

Unclaimed benefits

.08 If former members or pensioners, to whom surplus benefits become due on surplus approval date, cannot be traced, these creditors for surplus benefits can be added to the balance of the unclaimed benefits under current liabilities. This treatment may be adopted if the recognition of unpaid benefits as unclaimed benefits is in accordance the rules of the fund or the historical practice adopted by the fund.

Surplus apportionment expenses payable

.09 Any expenses related to the surplus apportionment scheme, for example legal expenses, surplus benefit administration expenses and tracing costs, which are payable at the end of the reporting period are disclosed as part of accounts payable under current liabilities unless a reserve account has been created for these expenses in the rules of the fund, in which case they are disclosed as set out in the chapter on reserves.

Statement of changes in net assets and funds

Contributions transferred from employer surplus account

.11 The employer surplus account may be applied towards a limited number of uses prescribed by legislation. These include the enhancement of benefits to existing members of the fund and contribution holidays. Where the employer surplus account is used to fund a contribution holiday, the amounts transferred from the employer surplus account must be disclosed in the statement of changes to net assets and funds. The utilisation of the employer surplus account should be debited to 'reserves' and credited to 'members' individual accounts'.

Surplus improperly utilised

.12 The surplus apportionment scheme determines whether the retirement fund surplus was previously improperly utilised and is due and payable to the fund upon approval of the surplus apportionment scheme. This repayment is regarded as income to the fund and is allocated appropriately to the relevant surplus accounts per the approved surplus apportionment scheme.

Investment return allocated – benefits payable on surplus apportionment

.13 This line items relates to the investment return that is allocated to the surplus benefits payable to former members and pensioners which have not been moved to unclaimed benefits.

Investment return allocated – surplus accounts

.14 This line item represents the investment return that is allocated to the member surplus account and the employer surplus account.

Investment return allocated – surplus transfers to other funds

.15 This line item represents the investment return that is allocated to the transfers of surplus to the other accounts.

Actual surplus apportionment

.16 When the Registrar approves the surplus apportionment scheme, surplus is allocated to the member surplus account and the employer surplus account. Surplus apportionment to the member surplus account is reflected as a surplus apportionment expense.

Transfers between reserve accounts and the employer surplus account – intra-fund allocation

.17 This line item represents transfers between reserve accounts and the employer surplus account.

Transfers between reserve accounts and the member surplus account – intra-fund allocation

.18 This line item represents transfers between the reserve accounts and the member surplus account.

Allocations from the surplus accounts for benefit enhancements to current members – intrafund allocation

.19 This line item represents surplus allocated to current members from the member surplus account to members' individual accounts (defined contribution funds) or accumulated funds (defined benefit funds).

Allocations from the surplus accounts for benefit enhancements to former members intrafund allocation

.20 This line item represents surplus benefits, which become payable to former members, allocated from the member surplus account. Surplus is allocated to individuals.

Allocations from the surplus accounts for benefit enhancements to pensioners intrafund allocation

.21 This line item represents surplus which is allocated to pensioners from the member surplus account. Surplus is allocated to individual pensioners.

Allocations from the surplus accounts for benefit enhancements to unclaimed benefits intrafund allocation

.22 This line item represents surplus which is allocated to unclaimed benefits from the member surplus account. Surplus may be allocated to individual unclaimed benefits.

Allocations to the surplus accounts for transfers from other funds

.23 Surplus received from other funds in terms of section 15B transfers into the fund is allocated to the applicable surplus account. If the surplus relates to specific defined members, the surplus is recognised as surplus transfers received and is then moved from the member surplus account to the member's individual account/accumulated funds, using the 'allocations from the surplus accounts for benefit enhancements to current members' line item. The corresponding individual member fund credits are enhanced with these values.

Allocations from the surplus accounts for transfers to other funds

.24 If part of the surplus is apportioned to members who have previously transferred out of the fund, the surplus is moved from the member surplus account to the 'surplus transfer payments' line item. (The note to that line item includes a section for section 15B transfers out of the fund.)

.25 If part of the surplus is apportioned to an employer surplus account in another fund, the surplus is moved from the employer surplus account to the 'surplus transfer payments' line item. (The note to that line item includes a section for section 15B transfers out of the fund.)

Administration expenses

.26 Any administration expenses related to the surplus apportionment exercise is included in administration expenses but then allocated against contingency reserves created for this purpose.

Notes to the financial statements

.27 *Accounts receivable*

With respect to surplus, this note may contain, for example, the current portion of the surplus improperly utilised receivable.

Benefits

.28 Minimum benefits which are payable to current members in terms of the surplus apportionment scheme are reflected in a separate line item in the benefits note, including details of the movement of such minimum benefits during the reporting period.

.29 The benefits note also contains a sub-section for benefits in terms of surplus apportionment. Enhancements to pensioners and enhancements to former members are separately disclosed. A reconciliation of the surplus benefits from the beginning of the period to the end of the period is provided, as follows:

- At the beginning of the period – the enhancements to pensioners and enhancements to former members at the beginning of the reporting period, reflected on the statement of net assets and liabilities under current liabilities;
- Surplus allocated – the amount recognised as an expense during the reporting period in the statement of changes in net assets and funds. The amount should agree to the surplus apportionment scheme that has been approved by the Registrar;

- Return allocated – the net investment return allocated to benefits in terms of surplus apportionment;
- Payments – the actual amounts paid during the reporting period, to be deducted from preceding amounts; and
- At the end of the period – the enhancements to pensioners and enhancements to former members at the end of the reporting period, reflected in the statement of net assets and funds under current liabilities.

Unclaimed benefits

.30 Any allocation of surplus made to unclaimed benefit members will be separately disclosed in this note. Surplus allocated to former members or pensioners who cannot be traced will be included in the unclaimed benefits.

Accounts payable

.31 This note may contain surplus apportionment expenses payable at the end of the reporting period.

Administration expenses

.32 Surplus apportionment expenses, for example valuator's fees, former member representative fees, legal fees and tracing costs, are included in the administration expenses note. It is preferable to disclose these as a separate line item, in order for these expenses to be identified for allocation against the appropriate contingency reserve.

Related party transactions

.33 The following transactions and balances may be related party transactions and should be disclosed accordingly:

- Surplus improperly utilised;
- Surplus improperly utilised receivable;
- Employer surplus account; and
- Employer surplus apportionment.

Surplus and reserve accounts

.34 The surplus accounts and reserves are combined in one note. Each account is explained individually below. The total column of the combined reserves and surplus accounts is included in the statement of changes in net assets and funds, on a line-by-line basis.

Member surplus account

.35 The note requires a detailed movement analysis for the reporting period, with details of each increase and decrease in the member surplus account.

Employer surplus account

.36 The note includes detailed disclosure of all transfers into the employer surplus account, and the application thereof during then reporting period.

Surplus improperly utilised receivable

.37 This non-current asset note requires a detailed reconciliation of the amounts established as due and payable to the fund, the return allocated on unpaid debt and any amounts received or transferred from the balance of the employer surplus account for the reporting period. The amount is split between the portion payable within one year (current assets) and the remainder (non-current assets).

.38 Details of the employer(s) from which surplus improperly utilised is due, the repayment periods involved, and the origin of the surplus improperly utilized (such as a contribution holiday) are disclosed.