

Subject	Specifications
Project Name	Appointment of Actuarial Valuation Specialist
Reference	RFQ - Actuarial Valuation Specialist



The information contained within this submission is considered proprietary and confidential. No inappropriate and/or unauthorised disclosure of this submission is allowed.

Table of Contents

1.	BACKGROUND.....	3
2.	OBJECTIVE OF BID	3
3.	SCOPE OF WORK	4 - 5
4.	DELIVERABLES	6
5.	APPROVAL	6

1. Background

The South African Post Office (SAPO) is a public entity in terms of the Public Finance Management Act (1999), and it is a government business enterprise established to provide postal and other related services to the public, and derives its mandate from the Postal Services Act 124 of 1998 and also from the South African Post Officer Limited Act (2011). The Postal Services Act grants SAPO an exclusive mandate to conduct postal services.

SAPO has a 100% shareholding in a subsidiary company called Document Exchange (Pty) Ltd (Docex) with the nature of its business and principal activity being that of infrastructure, courier and document movement nationally. The subsidiary company must also produce the individual audited annual financial statements.

The financial year of the SAPO and its subsidiary company The Document Exchange (Pty) Ltd is on the 31 March of every year, and as such the SAPO Group is required to comply with the provisions of Public Finance Management Act to submit the unaudited annual financial statements for the year ending 31 March 2023 by the 31 May 2023 immediately following the end of its financial year, to the SAPO Executive Committee (EXCO), SAPO Audit & Risk Committee as well as the SAPO Board for approval.

Thereafter the approved unaudited annual financial statements are submitted to the Department of Communications and Digital Technologies, National Treasury and the Auditor General of South Africa (AGSA).

The Auditor General South Africa has two months within which to conduct and complete the audit of the annual financial statements, which are subsequently submitted to the SAPO EXCO, SAPO Audit & Risk Committee and SAPO Board for final approval.

In terms of the provision of the PFMA which requires that the Accounting Authority of a public entity must submit the audited annual financial statements to the National Treasury, the Executive Authority responsible for that entity and the Auditor General within five months of the end of the financial year.

The annual financial statements are presented at the annual general meeting and thereafter also presented in Parliament.

2. Objective of bid

The objective of this Bid is to appoint a service provider with the required technical capabilities and skills to be able to perform the Actuarial Valuation and other related technical work of SAPO and its subsidiary company (Document Exchange (Pty) Ltd) in terms of the requirements of IAS19 and within the desired time frame of not more than three weeks from the date of receiving the data, for the financial years 2022/2023. The duration of the project will be for a period not exceeding 3 months.

3. Scope of work

IAS19 deals with the financial reporting of any post-employment benefit obligations towards active employees or pensioners in a company's financial statements, as contemplated by IAS19. The scope of work will include valuations on the following liabilities for the following entities: SAPO and Document Exchange (Pty) Ltd (Docex).

The purposes of this IAS19 valuation are:

- To determine the liability of the Company that has accrued up to the valuation date in respect of currently active employees and former (pensioner) employees; and
- To provide the Company with sufficient information to comply with the accounting standards, dealing with the recognition of the cost of employee benefits, in the Company accounts.

3.1 Long Service awards

As per SAPO Group policies, which requires that the company to provide a long service cash award to its employees who have been in the service of the company for a certain period of time. In addition to the cash award given, the company also gives an additional leave award that is valid for a period of 12 months from the date the employee is entitled to use and do not recur annually.

The table containing the cash award values and the leave days awarded to employees for the milestone achieved will be made available during the engagement.

3.2 Leave encashment

Certain employees have an amount of capped leave which accrued during 2001 / 2002 as a result of staff negotiations entered into by the Company. This leave may only be taken or encashed after all other leave has been taken. Any balance that remains when an employee leaves the service of the company will be encashed at the applicable salary rate for 2001 or 2002 respectively.

Table of the capped leave encashment will be provided during the engagement.

3.3 Provident Fund – Leave liability

The Post Office Provident Fund, caters for liabilities in respect of the number of days leave in excess of 60 that certain members had accrued in 2001 or 2002 depending on the level of the employee. The calculated value will be paid to the employee on exit from service of the Company.

The liability in respect of leave is as follows: $(S \times L \times 1.4)/365$

S =Salary at 01 April 2001 as the case may be

L =Number of days leave at 01 April 2001 as the case may be.

3.4 Defined benefit (DB) and Defined Contribution (DC) Retirement Fund

As at 31 March 2022 the fund has **14 265** members made up as follows:

- **36** active Defined Benefit members;
- **14 229** active Defined Contribution members (who may opt to become DB pensioners of the fund at retirement);
- The Fund also had **8 874** pensioners
- Assets R17,287 billion

As at the 31 October 2022 the Fund assets invested had exposure to the following channels as follows:

- Equities 15%;
- Bonds 37.2%;
- Foreign 21.1%
- Cash 5.1%
- Local Balanced 20.7%

The information is based on the Fund's Annual Financial Statements as at 31 March 2022

3.5 Medical aid contribution (PRMA)

Currently this benefit is only applicable and enjoyed by former employees. There are no current employees who will be entitled to these benefits in the future.

The following subsidy arrangements are in place in respect of former employees and dependents of former employees of the South African Post Office.

- The Company pays 100% of the medical aid premium; or
- The Company pays a fixed monthly cost of either R521 or R571 per month (CFG pensioners); or
- Certain pensioners pay a fixed fee of either R25 or R35 per month and the Employer pays the balance; or
- The member pays either 25% or 50% of 1/3rd of the premium and the Employer pays the balance; or
- The Company subsidises 66.66% of the medical aid contribution.

4. Deliverables

4.1 The primary deliverables for this engagement should be as follows:

An actuarial valuation report for each of the following entities should be prepared and provided according to the IAS19 standard, and within a period of three weeks following the end of the financial year of the 31 March:

4.1.1 SAPO Group

4.1.2 SAPO

4.1.3 Docex

The actuarial report and information provided should enable SAPO and its subsidiaries to prepare the financial statements in accordance with IAS19.

Draft report should be provided to the Manager or Senior Manager – Financial Reporting, Chief Financial Officer and also the Senior Manager – Internal Audit review, to comment and approval prior to report being finalised.

The final report should be provided by no later than the 30th of April.