Eskom
Pension and Provident Fund

MIR CALCULATION AND EXAMPLE

The MIR calculation

The MIR is calculated as below:

Accrual rate X number of years' service X salary X actuarial factor – (discount rate)

Accrual rate: the percentage interest applied to the principal of a financial obligation – it is determined by the fund actuary and contained in the Fund Rules

Number of years' service: current total of years worked at your employer

Salary: Your current total cost to company remuneration

Actuarial factor: based on assumptions from the latest statutory actuarial valuation of the Fund and is gender-specific

Discount rate (investment return): the formula factors in the Earnings Yield and the numbers of year until normal retirement ag

A practical example

In order to demonstrate how the MIR calculation works and it affected by the Earnings Yield, please see example below displaying various scenarios.

Assume a male member, aged 40 years with a final average salary of R500,000 and a past service period of 15 years. Therefore, this member has 25 years left until he reaches the normal retirement age of 65 years. Let's assume that the 40% of earnings yield is 1.0%, 2.0% and 3.0%. The MIR under each scenario is as follows:

MIR 1

2.17% * 15* R500,000 * 12.84609 * (1+1%)^(-25) = R1,630,263

MIR 2

2.17% * 15* R500,000 * 12.84609 * (1+2%)^(-25) = R1,274,347

MIR 3

2.17% * 15* R500,000 * 12.84609 * (1+3%)^(-25) = R998,531

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