



RFLAUN

Retirement Fund for Local Authorities
and Utility Services in Namibia

THE RETIREMENT FUND FOR LOCAL AUTHORITIES AND UTILITY SERVICES IN NAMIBIA

(Registration Number 25/7/7/107)
ACTUARIAL VALUATION REPORT
as at 31 December 2022

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COMPILED BY:
Old Mutual Corporate Consultants



Executive Summary

We have pleasure in presenting the interim actuarial valuation report of the Retirement Fund for Local Authorities and Utility Services in Namibia (the "Fund") as at 31 December 2022. This summary is for reference purposes only, and should be read in the context of the full report.

Membership as at 31 December 2022

The membership of the Fund as at 31 December 2022 is as follows:

	31 December 2022	31 December 2021
Number of Active Members	4,722	4,790
Number of Pensioners	1,718	1,864
Number of Disability Pensioners	1	1

Financial Position

The financial position of the Fund as at 31 December 2022 was as follows:

	Assets	Liabilities	Reserves	Surplus
	N\$'000	N\$'000	N\$'000	N\$'000
Active Member Share Account	4,594,407	4,590,553	0	3,854
Actives Reserve Account	160,079	0	160,079	0
Pensioners Account	1,574,103	1,284,100	192,615	97,387
Disability Pensioners Account	893	394	197	301
TOTAL	6,329,481	5,875,047	352,891	101,542

Contribution Allocation

Members may select from a wide range of rates at which to contribute. The current Employer contribution allocations is as follows:

	Allocation
Total Employer Contributions	21.700%
Group Life Assurance premiums	2.094%
Disability premiums	0.740%
Dread Disease premiums	0.439%
Administration expenses	1.007%
Benefit Consulting fees	0.040%
Funeral premiums	0.160%
Actuarial and Investment Consulting fees	0.030%
Audit fees	0.030%
Trustee and Office Expenses	1.951%
Non-recurring expenses	0.137%
Net Employer Contributions	15.072%

Conclusions and Recommendations

It is recommended that the current Employer contribution allocation be maintained, subject to changes in risk premiums (other than changes in funeral premiums which are covered by the allocation to reserves) and salary related expenses.

I recommend that an enhancement of 0.10% to active Members' shares be made from the surplus.

I recommend that a 5.3% pension increase be granted effective 1 July 2023.

I recommend that the residual capital guarantee value be held separately to enable any payments made to the estate of a deceased pensioner to be debited against this.

I recommend that consideration be given to switching some of the assets to improve the matching of assets and liabilities.

1. Introduction

1.1 Purpose of the report

This report gives the results of the 31 December 2022 actuarial valuation of the Retirement Fund for Local Authorities and Utility Services in Namibia ("the Fund"). The purpose of this report is as follows:

- To analyse the overall financial position of the Fund;
- To analyse the position of the Pensions Account and make any necessary recommendations;
- To analyse the position of the Disability Pensions Account and make any necessary recommendations;
- To analyse the position of the Reserve Account and make any necessary recommendations;
- To check the allocation of investment returns and that Members' Shares are reasonable; and
- To analyse the allocation of Employer contributions towards risk benefit premiums and expenses.

1.2 Background to the report

The Fund was established on 1 March 1992. The current actuarial valuation is as at 31 December 2022 ("the Valuation Date") and covers the 2022 Financial Year i.e. 1 January 2022 to 31 December 2022. The previous statutory actuarial valuation was conducted as at 31 December 2021 and this is an interim actuarial valuation. The next statutory actuarial valuation of the Fund is due as at 31 December 2024.

This actuarial valuation report covers, inter alia, the requirements of a Statutory Valuation in terms of Section 16 of the Pension Funds Act of the Republic of Namibia. We have followed the guidance notes of the Republic of South Africa (SAP201 of the Actuarial Society of South Africa) rather than those of the United Kingdom (GN9) as the Namibian legislative environment is closer to that of South Africa.

This report has been prepared for the Trustees of the Fund and should not be used by third parties for purposes not specifically mentioned. Reference to any part of this report should include references to the full report.

1.3 Previous recommendations

The Trustees approved the recommended annual pension increase of 5.3% effective 1 July 2022 and payment of a 13th cheque bonus pension payment in December 2022. A special bonus interest allocation of 0.24% was allocated to all active effective 30 September 2022. The reserves of the Fund were adjusted to protect against specific risks.

2. Benefits

2.1 Benefit Structure

A summary of the present benefit structure and contribution rates is given in Annexure I.

The Fund provides benefits on a defined contribution basis, where the benefit is equivalent to the member's individual accumulated credit. At retirement a member can purchase a guaranteed life pension from the Fund.

Employers contribute 21.7% of members' pensionable salaries which is first allocated towards covering risk benefit premiums and Fund expenses before the remaining portion (minimum 14.0%) is allocated towards retirement savings.

Members have the option to contribute at a rate of 7.5%, 9.0%, 10.0%, 12.0%, 14.0% or 16% of their pensionable salaries. Members who joined before 1 September 2008 also have the additional option to contribute at a rate of 2.5% or 5.0% of pensionable salaries.

2.2 Rule Amendments and Changes in Benefit Structure

No rule amendments with a financial impact occurred during the 2022 Financial Year.

2.3 Allocation of investment returns

The Fund operates on a monthly unitised basis.

2.4 Risk Benefit Policy

The Fund's death benefits were fully insured at the Valuation Date. In my opinion, in light of the nature of the Fund, the insurance of risk benefits is more appropriate than self-insurance. Furthermore, in my opinion, the level of reinsurance is adequate for the level of risk benefits offered by the Fund as at the Valuation Date. The Fund does not carry any residual risk in respect of these benefits.

3. Membership Data

3.1 Reasonability of Data

The Fund is administered by RFS Fund Administrators (Pty) Ltd ("RFS"). RFS provided data for this exercise, including data from their administration system and the Fund's audited financial statements. The data has been examined for reasonability and the position at 31 December 2022 reconciled with that of 31 December 2021.

Overall we are satisfied that the data is adequate for the purposes of this report.

3.2 Active Members

The active membership of the Fund as at the current valuation date is summarised below (figures as at the previous valuation date are shown for comparison purposes):

	31 Dec 2022	31 Dec 2021
Number of Members	4,722	4,790
Averages:		
Age (years)	43.7	43.5
Service (years)	11.4	11.2
Annual Pensionable Salaries:		
Total (N\$'000)	1,040,082	1,107,913
Average (N\$)	221,435	231,297
Member's Shares:		
Total (N\$'000)	4,590,553	4,561,442
Average (N\$)	972,163	952,284

Below is a reconciliation of the Fund's active membership over the 2022 Financial Year:

Active Members as at 31 December 2021	4,790
Less: Late Exits	(19)
Plus New Entrants	213
Less Deaths	(17)
Less Retirements	(119)
Less Withdrawals	(126)
Active Members as at 31 December 2022	4,722

3.3 Pensioners

The pensioner membership of the Fund as at the valuation date is summarised below (figures as at the previous valuation are shown for comparison purposes):

	31 Dec 2022	31 Dec 2021
Number of Actively Paid Pensioners		
Males	1,095	1,070
Females	623	631
TOTAL	1,718	1,701
Pension-Weighted Average Age:		
Males (years)	63.4	65.3
Females (years)	58.9	63.6
TOTAL (years)	62.9	64.8
Annual Pensions:		
Total (N\$'000)	104,507	94,489
Average (N\$)	60,830	55,549

Below is a reconciliation of the Fund's pensioner membership over the 2022 Financial Year:

	Pensioners	Suspended Pensioners	Total Pensioners
Pensioners as at 31 December 2021	1,701	163	1,864
Plus New Pensioners	164	-	164
Less Deaths	(41)	(10)	(51)
Less Terminations	(10)	(23)	(33)
Suspended	(565)	565	-
Reinstated	469	(469)	-
Pensioners as at 31 December 2022	1,718	226	1,944

3.4 Disability Pensioners

There was one uninsured disability pensioner in the Fund as at 31 December 2021, who remains in the Fund as at 31 December 2022.

4. Assets

4.1 Summary of Fund assets

The assets of the Fund are currently managed by Namibia Asset Management (NAM), Allan Gray, Prudential and Ninety One. The assets of the Capital Protection Portfolio options are invested in the Old Mutual Absolute Growth Secure portfolio and the Sanlam Stable Bonus portfolio (introduced effective 1 October 2018).

The Fund's unlisted investment managers are Capricorn Asset Management, IJG Capital and EOS Capital.

The value of the policies as at 31 December 2022 and the comparative figures as at 31 December 2021 are set out in the table below:

	Account Balances			
	31 December 2022		31 December 2021	
	(N\$'000)	%	(N\$'000)	%
Allan Gray Namibia	1,205,303	19.0%	1,202,398	20.2%
Capricorn Asset Management	661,198	10.4%	314,172	3.0%
EOS Capital	25,098	0.4%	18,602	0.2%
Cadence Capital	26,114	0.4%	-	-
IJG Capital	10,643	0.2%	9,926	0.2%
Ninety One Asset Management Namibia	1,180,358	18.6%	1,255,694	20.7%
Namibia Asset Management	1,164,067	18.4%	1,337,917	21.3%
Old Mutual Namibia	319,026	5.0%	423,003	8.9%
M&G Investment Managers Namibia	1,178,536	18.6%	1,247,281	20.1%
Momentum Metropolitan Namibia	18,568	0.3%	-	-
Sanlam Life Namibia	318,926	5.0%	276,153	3.6%
Stanlib Namibia Unit Trust Management	173,069	2.7%	140,846	1.3%
TwentyTwenty Financial Solutions	29,164	0.5%	-	-
Property and Equipment	19,221	0.3%	18,391	0.4%
Value of Invested Assets	6,329,291	100%	6,244,384	100%
Bank Account	71,168		73,885	
Contributions Receivable	26,926		28,701	
Other Current Assets	2,468		513	
Creditors	(100,372)		(141,555)	
Net Asset Value per Financial Statements	6,329,481		6,205,928	

The Fund earned a return of **3.1%** over the 2022 Financial Year. The financial structure of the Fund is outlined in Annexure III and a Revenue Statement is given in Annexure IV.

4.2 Investment Returns and Options for Members

In terms of the Fund's life stage model, the Fund Credits of all members aged 55 at 1 April and 1 October each year are automatically transitioned to the Capital Protection Portfolio. Members however have the option to remain in the Market linked Portfolio and are required to confirm in writing by signing an option form should they wish to do so.

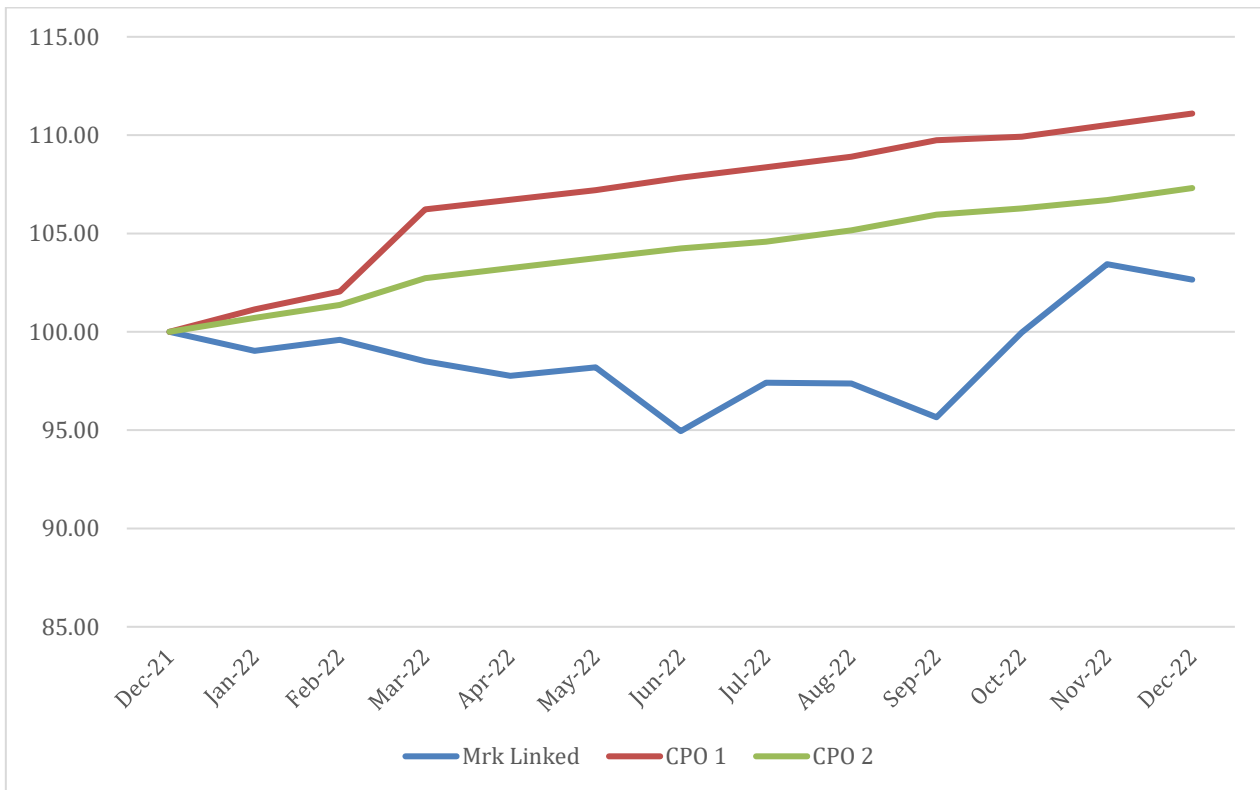
With effect from 1 October 2018, the Capital Protection Option in existence ("CPO1") was closed and a new Capital Protection Option ("CPO2") was set up. CPO1 invests 100% in the Old Mutual Absolute Growth Secure portfolio, while CPO2 invests roughly equally in the Old Mutual Absolute Growth Secure portfolio and the Sanlam Stable Bonus portfolio.

	Market Linked	CPO 1	CPO 2
January 2022	-0.97%	1.14%	0.71%
February 2022	0.57%	0.90%	0.65%
March 2022	-1.10%	4.09%	1.34%
April 2022	-0.75%	0.46%	0.50%
May 2022	0.44%	0.46%	0.49%
June 2022	-3.30%	0.59%	0.48%
July 2022	2.59%	0.49%	0.33%
August 2022	-0.04%	0.50%	0.55%
September 2022	-1.76%	0.77%	0.76%
October 2022	4.51%	0.16%	0.30%
November 2022	3.47%	0.54%	0.40%
December 2022	-0.76%	0.53%	0.57%
TOTAL	2.63%	11.10%	7.32%

Inflation in Namibia as measured by the Consumer Price Index was 6.9% over the 2022 Financial Year, compared to 4.5% over the 2021 Financial Year.

The active members in RFLAUN received an additional investment return allocation of 0.24% during September 2022, which is included above. This was part of the re-aligning of RFLAUN's reserves.

The cumulative returns over the 2022 Financial Year can be represented graphically as follows for the Market linked and two Capital Protection portfolios:



5. Fund Accounts

5.1 Assets of the Fund

Below is a summarised revenue account for the Fund for the 2022 Financial Year:

	N\$
Balance as at 31 December 2021	6,205,927,730
Member Contributions	126,188,001
Employer Contributions	232,069,091
Reinsurance Proceeds	20,960,870
Reinsurance Premiums	(36,908,923)
Fund Expenses	(34,157,909)
Benefits	(382,630,443)
Investment Return	188,481,889
Balance as at 31 December 2022	6,329,481,105

5.2 Fund Account Structure

The main purpose of an actuarial valuation is to compare accrued assets and liabilities in order to assess the solvency position of a retirement fund. As at 31 December 2022 the various Fund Account balances were as follows (with 31 December 2021 balances shown for comparison):

	31 Dec 2022	31 Dec 2021
	N\$'000	N\$'000
Share Account	4,594,407	4,564,298
Actives Reserve Account	160,079	163,598
Pensioners Account	1,574,103	1,477,174
Disability Pensioners Account	892	859
TOTAL	6,329,481	6,205,928

5.3 Members' Share Account

The Members' Share Account represents the sum of active members' shares i.e. liabilities towards active Members. Members' Shares are provided by the Administrator and are checked for reasonability and adjustments are made if necessary after consultation with the Administrator. The total of the Share Account is based on the unitised returns allocated per the 3 different investment strategies. Investment returns were also allocated accordingly for members who switched to CPO 1 or CPO 2 during the 2022 Financial Year.

The movement in the Members' Share Account over the 2022 Financial Year was as follows:

	N\$
Balance as at 31 December 2021 per valuation	4,564,297,962
Reversal of 2021 valuation adjustment	<u>(36,678,754)</u>
Balance as at 31 December per financial statements	4,527,619,208
Member contributions	126,188,001
Employer contributions	160,645,714
Reinsurance proceeds on death	20,931,833
Benefits payable out of RFLAUN	(262,086,125)
Transfers to Pensioners' Account on retirement	(171,304,606)
Bonus allocated to Members	<u>153,682,999</u>
Balance as at 31 December 2022 per financial statements	4,565,227,783
Valuation adjustment	<u>29,178,754</u>
Balance as at 31 December 2022	4,594,406,537

The breakdown of Members' Shares between the three investment strategies is as follow:

	N\$'000
Market-Linked	4,501,219
CPO 1	37,567
CPO 2	51,767
	4,590,553

The Fund's Asset-Liability Matching comparison as at 31 December 2022 is as follows:

	Market-Linked	CPO 1	CPO 2
	N\$'000	N\$'000	N\$'000
Invested Assets	5,691,529	319,026	318,926
Active Member Liability	4,501,219	37,567	51,767
Pensioner Liability	1,284,100	0	0
Disability Pensioner Liability	<u>394</u>	<u>0</u>	<u>0</u>
Total Liabilities	5,785,713	37,368	51,767
Surplus	(94 184)	281,459	267,159

There now appears to be over-exposure to the CPO 1 and CPO 2 portfolios relative to the size of the liabilities held. However, during the 2022 Financial Year this benefited the Fund.

5.4 Pensioners Account

The Pensioners Account consists of the Pooled Pensioners' assets, totalling N\$ 1,574,102,702 as at 31 December 2022.

Pensions in payment are valued on assumptions based on the PA (90) ultimate mortality tables and an interest rate of 5% per annum. The value of ex-Members' pensions includes contingent spouse and children's pensions. In addition, provision is made for a N\$10 000 lump sum death benefit for pensioners also valued at an interest rate of 5% p.a.

The interest rate used to value the pensioners, indicates the excess investment return that the Fund's investments would have to earn in addition to the increase in the Namibian Consumer Price Index in order to provide pensioners with inflation-related pension increases. This means that the investments would have to earn NCPI + 5% over the long term to ensure inflationary increases. The interest assumption implicitly allows for pensions to be increased at an annual rate approximately equal to the actual Fund investment return less 5% p.a.

However, a policy of smoothing pension increases is used. During periods of positive investment returns, the reserves are increased in order to fund pension increases during periods of negative investment returns.

Below is a build-up of the Pensioner Account over the 2022 Financial Year:

	N\$
Balance as at 31 December 2021 per valuation and adjustment in financial statements	1,477,173,560
Transfers on retirement	171,304,646
Pensions paid	<u>(113,142,340)</u>
Balance as at 31 December 2022 per financial statements	1,535,335,867
Investment returns	45,987,432
Fund expenses	<u>(7,220,597)</u>
Balance as at 31 December 2022 per valuation	1,574,102,702

The liability of the pensions is **N\$1,284,100,466** as at 31 December 2022. The trustees' new policy is to hold a targeted Solvency Reserve of 10% of liabilities and a Data Reserve of 5% of liabilities. The solvency position of the Pensioners Account as at 31 December 2022 was therefore as follows:

	N\$'000
Asset Value	1,574,103
Liabilities	1,284,100
Solvency Reserve	128,410
Data Reserve	<u>64,205</u>
Total Liabilities and Reserves	1,338,080
Surplus	97,387
Funding Level	106.6%

Following the 2020 valuation, the trustees decided to re-allocate the reserves of the Fund. This included transferring the majority of the surplus in the Disability Account to the Pensioners Account to help fund explicit reserve in the Pensioners Account to help protect the solvency position. The Fund earned a net investment return of 3.1% for the 2022 Financial Year, which was in excess of the 5% discount rate used to value pensioner liabilities.

The suspended pensioners' future liability was calculated as **N\$24,364,592** as at 31 December 2022. This potential liability has not been included in the solvency position.

Pensioners are entitled to a residual capital guarantee, whereby each retiree is guaranteed to have the nominal value of their retirement savings paid out as pension benefits to themselves, to their dependants or to their estate. The total value as at 31 December 2022 was derived as **N\$604,304,585**. For the vast majority of pensioners, their actuarial liability value exceeded their residual capital guarantee value as at 31 December 2022.

This residual capital guarantee amount needs to be ring-fenced so that payments made to the estate of deceased pensioners can be debited against this amount. The liability value will be re-calculated annually in future.

Below are details of the previous 5 annual increases granted to pensions:

Date	Namibian CPI	Pension Increase	Increase as % of CPI
1 July 2018	4.0%	5.0%	125%
1 July 2019	3.9%	4.0%	103%
1 July 2020	2.1%	2.0%	95%
1 July 2021	4.1%	4.0%	95%
1 July 2022	6.0%	6.0%	100%
Average	4.0%	4.2%	104%

Pensioners in 2022 were granted the equivalent of a 6% increase, this was granted in the form of a 5.3% increase and a once off 13th cheque bonus payment in December 2022.

Pension increases are granted pro-rata for those with less than 12 months of pensioner status as at the effective date of the pension increase.

5.5 Disability Pensioners Account

The Disability Pensioners account provides benefits for Members in the event of their disablement. Most of the disability pensioners are insured. The monthly pensions for insured members are paid by the insurer through the Fund, while the Fund meets the benefit obligation for uninsured pensioners. Uninsured disability pensioners are mainly members who were disabled before the Fund's disability insurance policy with the insurer came into effect.

Liabilities for disability pensioners are valued an interest rate of 5% p.a., mortality assumptions are now ignored since there is only such disability pensioner remaining; the normal retirement date of this member is 31 March 2027.

A build-up of the Disability Pensioners Account is shown below:

	N\$
Balance per 31 December 2021 valuation	858,655
Reinsurance proceeds	29,037
Disability pensions paid	(18,118)
Investment returns	26,216
Fund expenses	<u>(3,208)</u>
Balance as at 31 December 2022	892,581

The liability of the disability pensions is **N\$394,211** as at 31 December 2022. Given small size of membership, a 50% Solvency Reserve is suitably conservative. The solvency position of the Disability Pensioners Account is therefore as follows:

	N\$
Asset Value	892,581
Liabilities	394,211
Solvency Reserve	<u>197,105</u>
Total Liabilities and Reserves	591,316
Surplus	301,265
Funding Level	150.9%

5.6 Actives Reserve Account

The Actives Reserve Account represents the difference between the market value of the total Active Members' Fund Assets and the balance in the Members' Share Account as at 31 December 2022.

Specific reserves in the Actives Reserve Account are based on previous values plus items of experience and the net investment return of the investments of the Fund. The trustees re-structured the reserves of the Fund following the 2020 valuation.

The Actives Reserve Account amounted to N\$ 160,079,285 as at 31 December 2022, representing 2.73% of the total active Member liabilities. This balance can be split as follows:

	31 Dec 2022	Ratio to Total Member Shares	
	N\$	Actual	Target
Data Reserve	22,148,394	0.48%	0.50%
Risk Reserve	44,296,789	0.96%	1.00%
General Reserve/Mismatch Reserve	22,830,551	0.50%	0.50%
Expense Reserve	35,828,720	0.78%	0.50%
Office Building	34,974,831	n/a	n/a
TOTAL	160,079,285	2.73%	2.50%

The movement in the Actives Reserve Account over the 2022 Financial Year was as follows:

	General/ Mismatch Reserve	Data Reserve	Risk Reserve	Expense Reserve	Office Building	TOTAL
	N\$	N\$	N\$	N\$	N\$	N\$
1 January 2022 balance per valuation	33,929,169	22,148,394	44,296,789	28,248,370	34,974,831	163,597,553
Adjustment reversal	283,008,353	-	-	-	-	283,008,353
1 January 2022 balance per financial statements	316,937,522	22,148,394	44,296,789	28,248,370	34,974,831	446,605,906
Employer contributions			36,908,923	34,514,454		71,423,377
Risk premiums			(36,908,923)			(36,908,923)
Fund expenses				(34,157,909)		(34,157,909)
Investment returns	188,481,889					188,481,889
Late payment interest to exits	(7,383,860)					(7,383,860)
Bonus allocation	(400,038,814)					(400,038,814)
31 December 2022 balance per financial statements	97,996,737	22,148,394	44,296,789	28,604,915	34,974,831	228,021,667
Allocation to Main Account	(29,178,754)					(29,178,754)
Transfer to Pensioner Account	(45,987,432)			7,220,597		(38,766,835)
Transfer to Disability Pensioner Account				3,208		3,208
Balance as at 31 December 2022 per valuation	22,830,551	22,148,394	44,296,789	35,828,720	34,974,831	160,079,285

The General Reserve Account has now been reconstituted as the Mismatch Reserve. This is to allow for potential mismatching in the allocation of investment returns within the assets and liabilities.

The Data Reserve is required to cover unanticipated liabilities the Fund may experience due to data errors or historic liabilities that have not been accrued for.

The Fund provides death in service and disability benefits. Previously these benefits were reinsured with an insurer on an approximate basis, however the current benefits are fully reinsured. The Risk Reserve is therefore currently only utilised in cases where there is a difference between premiums paid and contributions received by the Employer, or where claims are paid by the Fund due to reinsurer default.

The Expense Reserve balance is to fund any differences between expenses incurred and allocated to the various liability accounts.

An amount has also been set aside to fund the purchase of a new office building

6. Contribution Rate Assessment

6.1 Employer Contribution Assessment

As per the rules of the Fund, Employers contribute a total of 21.70% of each Member's pensionable salary, of which at least 14.00% should be applied toward Member's retirement funding. The remaining 7.70% should first be applied toward the cost of Fund expenses and the balance (if any) be applied toward Member's retirement funding. Current Employer contribution allocations are as follows:

	Allocation
Total Employer Contributions	21.700%
Group Life Assurance premiums	2.094%
Disability premiums	0.740%
Dread Disease premiums	0.439%
Administration expenses	1.007%
Benefit Consulting fees	0.040%
Funeral premiums	0.160%
Actuarial and Investment Consulting fees	0.030%
Audit fees	0.030%
Trustee and Office Expenses	1.951%
Non-recurring expenses	0.137%
Net Employer Contributions	15.072%

The allocation towards non-pensionable salary linked expenses is therefore **2.308%** of pensionable salaries. Based on the 2022 Financial Statements the non-pensionable salary expenses totalled **2.277%** of pensionable salaries, revealing a margin of **0.031%**.

Based on the above I recommend that the allocation to the Reserve Account toward the cost of non-salary linked expenses be maintained. The Expense Reserve balance is available to fund any unexpected shortfalls due to costs being higher than expected or pensionable salaries being lower than expected.

7. Annual Pension Increase

7.1 Annual Pension Increase

Pensions payable by Fund are reviewed on an annual basis effective 1 July. The pension increase policy is to increase pensions in payment by 100% of Namibian inflation in the form of the Namibian Consumer Price Index (CPI). This is subject to affordability.

7.2 Namibian Inflation

Namibian inflation as measured by CPI was 5.3% for the year ended 30 June 2023.

7.3 Investment Performance

Investment returns per investment strategy over the period 1 January to 30 June 2023 were as follows:

Investment Strategy	Investment Return
Market Linked	10.73%
CPO 1	3.58%
CPO 2	4.46%
Weighted Average	10.06%

This is equivalent to a 21.1% annualised return over the first 6 months of the 2023 Financial Year, compared to the 5% p.a. assumed return used in the valuation basis.

7.4 Pension Increase Recommendation

The Pensioner Account's solvency remains strong, both as at the 31 December 2022 valuation date and allowing for subsequent investment performance. Therefore a 5.3% pension increase can be granted effective 1 July 2023.

7.5 Alternative – bonus for pensioners

In 2022 a 13th cheque bonus was granted pensioners with the December payments. To avoid setting a precedent I recommend that this is not done in 2023.

8. Conclusions and Recommendations

8.1 Conclusions

The Fund was financially sound as at 31 December 2022, in that its assets exceeded the value of its liabilities. The Fund is expected to remain financially sound until its next statutory valuation as at 31 December 2024.

Investments held provided a suitable match for Fund liabilities as at the Valuation Date. The investment strategy for the Fund, including the Pensioner Account, remains appropriate in my opinion.

8.2 Recommendations

There is a small mismatch between assets and liabilities in that more assets are currently allocated to the CPO 1 and CPO 2 investment portfolios than are required. This benefited RFLAUN during the 2022 Financial Year, but consideration should be given to switching assets to adjust for this.

It is recommended that the current Employer contribution allocation be maintained, subject to changes in risk premiums (other than changes in funeral premiums which are covered by the allocation to reserves) and salary related expenses.

I recommend that an enhancement of 0.10% to active Members' shares be made from the excess assets backing the Members' Shares.

I recommend that a 5.3% pension increase be granted effective 1 July 2023 but that no bonus be granted in December 2023. The increase should be pro-rated for new pensioners.

I recommend that the residual capital guarantee value be held separately to enable any payments made to the estate of a deceased pensioner to be debited against this.



Stephen Walker BBusSc FIA FASSA

In my capacity as Fund Valuator
and an employee of Old Mutual Corporate

August 2023

ANNEXURE I – Summary of the Rules

Financial Structure

The Rules provide for the assets of the Fund to be separated into three separate accounts.

Share Account

The Share Account consists of the sum of the Members' Shares in the Fund. These Shares comprise the initial allocation made to each Member at the date of inception of the Fund, any transfers on behalf of the Member from other funds, the contributions made by the Member, the Employer contributions relating to retirement benefits and investment earnings.

Pensions Account

The balance of a Members' Share on his retirement is credited to the Pensions Account and all pension payments are debited to this Account. Bonuses are added annually at a rate determined by the Management Committee in consultation with the Actuary. Pension increases are granted by the Management Committee in consultation with the Actuary out of the surplus in the Pensions Account.

Members retiring after 1 April 2000 had the option of receiving a normal pension or a living annuity pension. With effect from 1 January 2011, the living annuity pension option has been removed. There are currently no living annuity pensioners in the Fund.

The assets in the Pensions Account are separated from the assets due to the active members and the Disability pensioners.

Reserve Account

The Reserve Account serves to smooth fluctuations that would occur if no such account had been established. Special provision is made for investment fluctuation and other contingencies and this Account provides an element of stability to the Fund. The following reserves are specified in this Account:

- Investment Reserve,
- Data Reserve,
- Risk Reserve, and
- General Reserve.

Contributions

Employers contribute 21.7% of members' pensionable salaries which is first allocated towards covering risk benefit premiums and Fund expenses before the remaining portion (minimum 14.0%) is allocated towards retirement savings.

Members have the option to contribute at a rate of 7.5%, 9.0%, 10.0%, 12.0%, 14.0% or 16% of their pensionable salaries. Members who joined before 1 September 2008 also have the additional option to contribute at a rate of 2.5% or 5.0% of pensionable salaries.

Normal Retirement Age

The age of 60 years, although Members of the Previous Fund may maintain their Normal Retirement Age from that Fund.

Types of benefits (Retirement, Withdrawal, Death and Disability etc.)

Normal Retirement Pension

A Member had the option to become a pooled pensioner or a living annuity pensioner. However, with effect from January 2011, the living annuity option has been removed. Should a Member choose to become a pooled pensioner, the following benefit becomes payable:

A pension is payable from the date of retirement based on the amount of the Member's Share as at that date, subject to:

- any commutation paid,
- allowance for regular increases in pension after retirement,
- allowance for death benefits after retirement.

Early Age Retirement Pension

After age 55 calculated as for Normal Retirement Pension.

Late Retirement Pension

Subject to the request of the Employer and agreement of the Member, but not later than age 65. Member and Employer contributions shall be paid up to the late retirement date and the benefit is calculated as for Normal Retirement Pension.

Death in Service

The following benefits are payable on death of a Member while in service or in receipt of a disability income benefit.

- the Fund Credit; plus
- the amount of death benefit as can be provided from an insurer with a maximum of 3.97% of the Member's Pensionable Emoluments.

Death after Retirement

In the case of the death of a Pooled Pensioner:

- A lump sum of N\$10 000.
- A spouse's pension equal to 75% of the Member's pension at date of death.
- A child's pension equal to 5% of the Member's pension at date of death per child (maximum of 25%). If no spouse's pension is payable, the child's pension is doubled.
- A guarantee that the total of all pension payments will not be less than the Member's Share transferred to the Pensions Account at retirement.

Termination of Service

A Cash Withdrawal Benefit is payable, although the Member may elect a Preservation Benefit.

- Cash Withdrawal Benefit

Members receive their Accumulated Contributions plus an amount equal to a percentage of the difference between the Member's Accumulated Contributions and the Member Share, based on the number of completed months of service. Members older than 55 years, who are retrenched or who have completed 5 years of uninterrupted service receive their full Member Share.

- Preservation Benefit

A Member who elects this option will be entitled to the full Member Share which may be preserved as follows:

- in the Fund to provide a deferred pension benefit,
- transferred to an approved retirement annuity or pension fund,
- Cash Withdrawal Benefit transferred to the preservation fund to which the Member belongs and the balance of the Member's Share transferred to an approved retirement annuity or pension fund.

Expenses

Expenses relating to the management and administration of the Fund, including the cost of audits, actuarial investigations and investment expenses are borne by the Fund.