RFLAUN

Retirement Fund for Local Authorities and Utility Services in Namibia

NEWSLETTER

NOVEMBER 2023

0.10% ENHANCEMENT TO ALL ACTIVE MEMBERS

INSIDE

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EDITOR'S DESK

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Senior Officer: Information and Marketing

Dear valued readers, as we embrace the warmth of the festive season, it brings me immense joy to share this special edition of our Newsletter with you. The air is filled with the spirit of gratitude, reflection, and anticipation, making it the perfect time to celebrate the milestones achieved and the journeys embarked upon in the realm of retirement planning.

In this edition, we bring you continuous improvements the Trustees implement within the Fund, updates on the new participating employers joining the Fund and updates in the investment industry.

As the holiday season unfolds, we encourage you to take a moment to reflect on your own retirement aspirations. It is a time for not only festive cheer but also for contemplating the steps you can take to ensure a secure and prosperous retirement.

On behalf of the Fund, we extend our warmest wishes for a joyful holiday season and a prosperous New Year. May this time of celebration be filled with moments of laughter, love, and gratitude, setting the stage for a fulfilling retirement journey ahead.

Thank you for being a part of our community, and here's to a festive season filled with retirement joy!

Ciao till next time.

ADDITIONAL BONUS DECLARATION

As highlighted before, the Trustees continuously strives to increase and enhance the current benefits being provided to you as a member of the Fund.

This year alone saw an **increase in the level of Funeral Benefits** being provided by the Fund, the introduction of the **Direct Housing Loan facility** with its obvious advantages as already communicated, as well as the **Inflationary Pensioner Increase** as was reported in the previous newsletter.

Further testament to this value-add focus by the Trustees is that following the finalization of the Fund`s Actuarial Valuation as at 31 December 2022, and based on a recommendation received from the Fund`s actuary in this regard, the Trustees decided to grant a further **0.10% enhancement to all active members Fund Credit** to be funded from the Fund`s current reserves.

This meant that your Fund Credit in the Fund were increased by 0.10%.

Times might be difficult from an economic perspective as was highlighted in this newsletter, but you can rest assured that the Trustees are diligently and prudently executing their fiduciary duties and responsibilities towards the Fund with the rewards and benefits to you as a member clearly evident.

RFLAUN OFFICE CLOSURE

We would like to inform our stakeholders that our office will be closed as from Thursday, 21 December 2023 until Friday, 5 January 2024 for the festive season. The office will officially be open for business from Monday, 8 January 2024. The industry experience has shown us that this is normally a very quiet time with many people being on leave and it affords us the opportunity to allow our staff to recuperate, with hopefully no, or as little as possible disruption or inconvenience to our stakeholders.

In case of emergency please contact us at:
061-423 700 or info@rflaun.com.na

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NEW PARTICIPATING EMPLOYERS JOINED THE FUND

Please join us in welcoming Tses Village Council and Gochas Village Council to the RFLAUN family. The two councils joined the Fund on 1 November 2023. The new addition of the councils tallies the total number of participating employers in the Fund to 54.

DIRECT HOUSING LOAN PAYMENTS

The Fund commenced with the Direct Housing Loan facility officially on the 1st of September 2023. The uptake of the facility has been very positive from all over the country. The payment process is outline in the article below.

On approval of the loan, the payments are done as follows:

LOAN FOR ADDITIONS, ALTERATIONS, MAINTENANCE OR REPAIR OF A RESIDENTIAL DWELLING

- First payment – 100% Material
  50% Labour
- Second payment – 50% Labour

The payments are made directly to the member, and it is the responsibility of the member to process the payments for the material and labour.
It is important to warn the members that the loan should be used strictly for housing purposes as stipulated in brochure. Failure to comply with will result in hefty legal cases supported by the Pension Fund's Act.

A progress inspection is required before the remaining 50% (second payment) can be paid out. Please ensure that the progress work has been completed in time and inform your HR as soon as possible to allow for the final inspection.

The first repayment will be communicated to you on approval. The repayments may not be below the minimum repayment in any one month and may change from time to time due to repo-rate or monthly fee changes.

WITHHOLDING OF PENSION BENEFITS

From time to time the Fund receive requests / instructions from participating employers for the payment of exiting members benefits to be withheld / postponed pending the institution of legal proceedings against such members to recover financial losses that might have been suffered by the said participating employer due to the conduct of a member.

Section 37D of the Pension Fund`s Act does make provision for pension benefits to be attached / withheld in respect of **financial losses suffered by the Employer due to theft, dishonesty or fraud** on the part of the employee and **where the member provided written acknowledgement of said liability, or court judgements were obtained in the matter.**

Withholding a member's benefits without a court judgement, or written acknowledgement of the liability by the member, will thus be a clear contravention of the provisions of the Pension Fund`s Act as indicated and as such cannot be entertained by the Fund.

Participating employers finding them in this situation are therefore urged to obtain a court order against the payment of the pension benefits as soon as possible, or alternatively obtain written admission of liability from the offending individual in order for the Fund to act on the type of situations and requests.

ANNUAL INVESTMENT RETURNS

The Funds' total assets as at 31 October 2023 amounted to **N$6,753,361,486** which comprises of the portfolios below:

Market Value Portfolio N$ 5,968,629,803

Capital Protection Portfolio (CPO 1) (Old Mutual) N$ 6,859,622

Capital Protection Portfolio (CPO 2) (Sanlam, Old Mutual, Momentum & Standard Bank) N$ 777,872,061

The table below provides an indication of the monthly investment returns earned on the respective portfolios for the Fund year from 1 January 2023 to 31 October 2023.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD 2023
Market Value Portfolio	5.7	0.1	-0.3	2.3	0.3	2.2	1.0	0.3	-2.3	-1.7	**7.8%**
CPO 1	0.5	0.6	0.6	0.6	0.6	0.6	2.6	0.6	0.6	0.6	**8.2%**
CPO 2	0.6	0.7	0.8	0.7	0.8	0.8	1.3	0.8	0.8	0.8	**8.4%**

INVESTMENTS

Global Markets

As was highlighted in previous editions of this newsletter Inflation, Inflation, Inflation was the biggest driver of markets the last two years and the measurers Central Banks had to implement to rein in inflation by rapidly increasing interest rates over this period had a massive impact on the daily livelihoods of billions of people across the World.

We can all probably attest to the fact that as a result of interest rates that increased continuously, we had less money to spend at the end of the month, and then as a result of rising inflation (and especially food inflation) we could buy less and less every month with our N$ 100,00. It also cost us a lot more today than two years ago to get to our respective places of employment due to petrol prices that also increased drastically over the last two years.

The invasion of Ukraine by Russia in February last year resulted in even further upwards pressures on inflation due to the fact that it firstly had an immediate impact on the price of oil which increased as a result, and also considering that 30% of the Worlds wheat production came out of Ukraine which were predominantly exported to developing countries in Africa.

To complete the "perfect storm" supply chain constraints once economies across the globe started opening-up again post-Covid resulted in even further upward pressures on inflation.

In the beginning of 2023 to expectation was that China, being the second largest economy in the World, would be the driver of global growth for the year but unfortunately the reality is that China is still struggling to recover from the impact Covid had on its economy, and especially due to the long harsh lockdown measures they had until the end of last year.

As indicated in the previous newsletter China is currently facing further challenges in terms of transitioning from a heavily infrastructure expenditure driven economy to a consumer driven economy, hugely inflated property sector (bubble?) as well as an aging population.

The global labour market, particularly in the US, reflects a unique dynamic with strong worker bargaining power. Wages have outpaced current inflation, and despite a sizable number of job listings, there are concerns about a potential resurgence in services inflation, prompting a multi-decade high in strike actions. Amid resilient consumers and corporates in the US, combined with potential second-round inflation shocks, the Federal Reserve is opting to keep interest rates higher for a more extended period. This decision has repercussions for both the US bond and equity markets, both experiencing significant declines in the third quarter. A notable concern lies in imprudently high US government spending, leading to a credit rating downgrade.

Although it would appear that inflation has peaked and that it is tarted tapering off, risks still remain that current geo-political tensions in the Middle-East between Israel and Hamas could spread to the rest of the region, which constitutes some of the World`s biggest oil producers in Saudia Arabia and Iran.

The war between Ukraine and Russia is further also continuing unabated and tensions between China and the United States surrounding Taiwan is also still simmering…………….at least they started talking to one-anther again.

If there are no further escalations in current conflicts across the globe as highlighted above (or new conflicts / wars), the price of oil can stay stable around U$ 80 a barrel, the N$ / ZAR do not depreciates drastically then hopefully we have seen the end of the current interest rate hiking cycle.

As already vulnerable consumers we should however brace ourselves for still further tightening of the belts for at least the next six months or so as interest cuts are optimistically only expected towards the middle to latter part of 2024.

Regional Markets

In Namibia and South Africa, central banks are poised to respond to economic challenges through monetary policy adjustments, considering factors such as inflation, currency movements, and global economic trends.

Investors remain concerned about holes in the nation`s budget, which the central bank said will force local rates to remain elevated for some time to come. The country`s budgetary problems have less to do with over-spending and more to do with declining revenue collection. Slow economic growth, lower commodity prices and declining exports of coal and iron due to infrastructure deficits, have all contributed to the country`s looming fiscal crunch.

Household debt to disposable income edged higher to 62.5% in the second quarter of 2023 as household debt outpaced growth in nominal disposable income. This was exacerbated by higher debt servicing costs considering the cumulative 475 basis point increase in the prime lending rate since November 2021.

Despite risk-off sentiment and US dollar demand, the ZAR ended the quarter just -1.2% lower that the US dollar. This meant fewer gains for investors in rand hedge shares like Richmont, BAT and Anglo Platinum.

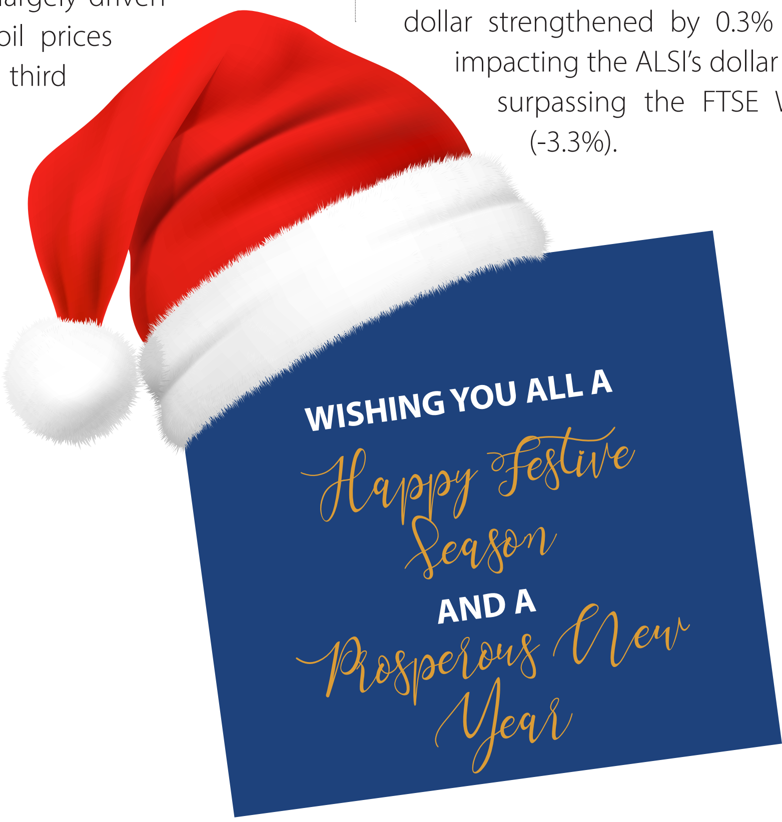
Namibian Economy

In Namibia, the trend of strong GDP growth continued, albeit at a slower pace.

Growth was once again driven by sectors that are all connected to mining and quarrying. The Bank of Namibia kept interest rates on hold over the quarter, as inflation averaged 4.9% for Q3. There has however been a reacceleration in inflation with September`s print coming in at 5.4%. This was largely driven by transport inflation after oil prices increased almost 20% in the third quarter.

The third quarter further witnessed a commendable performance from the FTSE NSX Local Index, marking a substantial 3.8% return. This outperformance was particularly striking when contrasted with the FTSE NSX Overall Index (1.0%) and the FTSE/JSE All Share Index (ALSI), which faced a less favourable return of -3.5%. Noteworthy sector-wise, Financials contributed positively at +2.2%, while Resources and Industrials experienced declines at -4.3% and -6.2%, respectively.

During the same period, both the rand and Namibian dollar strengthened by 0.3% against the US dollar, impacting the ALSI's dollar return (-3.2%), narrowly surpassing the FTSE World Index in dollars (-3.3%).



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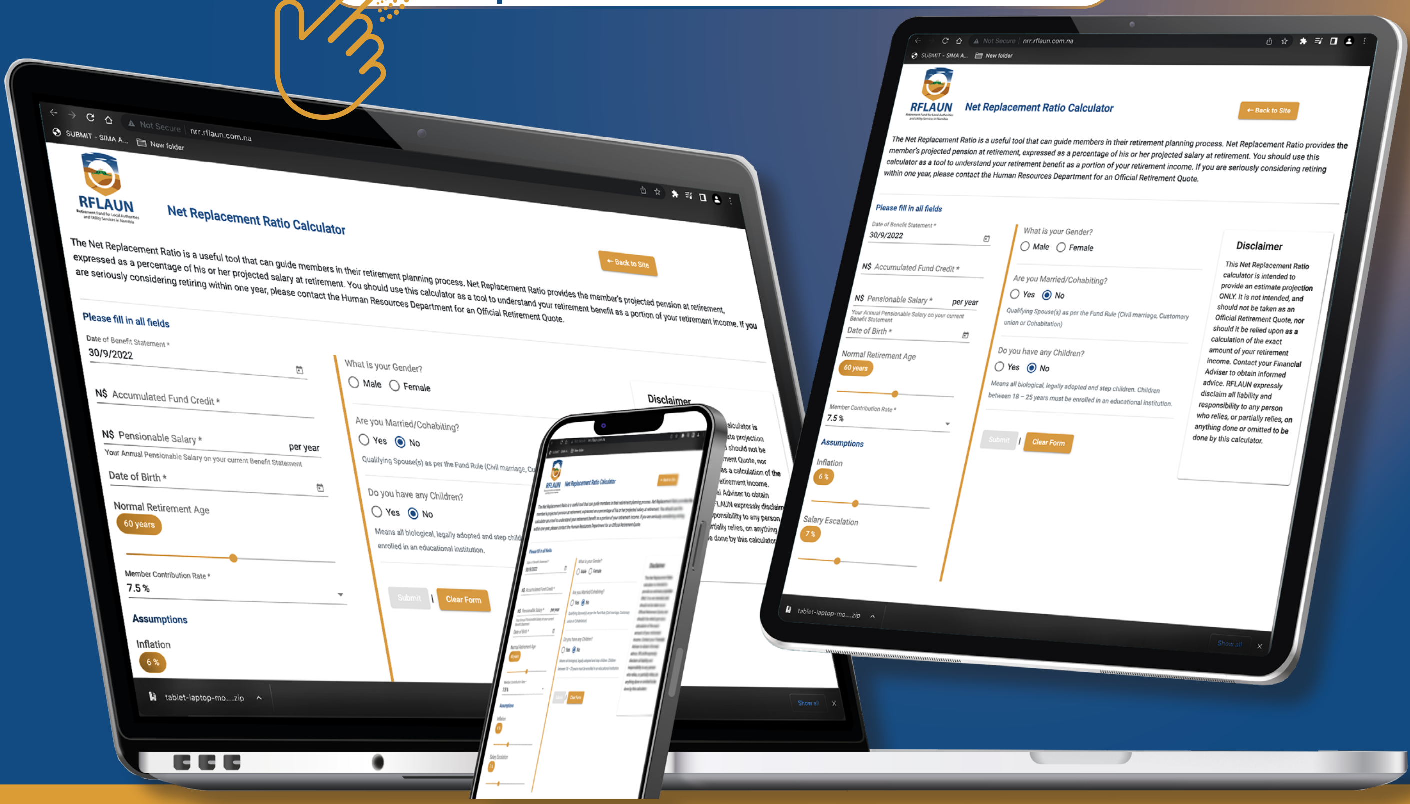
NET REPLACEMENT RATIO CALCULATOR

The Net Replacement Ratio is a useful tool that can guide members in their retirement planning process. Net Replacement Ratio provides the member's projected pension at retirement, expressed as a percentage of his or her projected salary at retirement. Visit our website.

http://nrr.rflaun.com.na/



This newsletter has a dual purpose, firstly to keep the members up to date on the developments of the Fund and secondly, it serves as an educational tool. As a member or pensioner of the Fund, you are invited to forward comments, suggestions and contributions to **marketing@rflaun.com.na.**