



RFLAUN

Retirement Fund for Local Authorities
and Utility Services in Namibia

NEWSLETTER

JULY 2024



INSIDE

Financial Institutions
and Markets Act
(FIMA) / Compulsory
Preservation

PAGE 3



Annual
Investment
Returns

PAGE 4





INDEX PAGE

Editor's Desk	Page 3
New Participating Employers Joined The Fund	Page 3
Financial Institutions and Markets Act (FIMA) / Compulsory Preservation	Page 3
National Pension Fund	Page 4
It is important to ensure that your tax affairs with NamRA are up to date	Page 4
Pensioner Trustee	Page 4
Annual Investment Returns	Page 4
Market Commentary Q2 2024	Page 5

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EDITOR'S DESK



Mr. Julianus Rukamba
Senior Officer: Information and Marketing

We would like to welcome all our loyal readers to the second edition of the 2024 newsletter. We are in the second half of the year 2024 now and I am sure you are on track with the goals you have set yourself out for the year.

The year 2024 has been named the "Election Year". About 97 countries, including Namibia, will be heading to the polls this year for national elections. Interestingly, RFLAUN will also be conducting elections this year for its board of trustee composition.

The following regions will be contesting in the elections: Kunene, Ohangwena, Omaheke, Omusati, Oshana, Oshikoto, Otjozondjupa, and Kavango East. Do make sure you participate in the elections when the formal communication is distributed to your offices.

As stipulated in the previous newsletter, our Administrators, RFS Fund Administrators have embarked on a new administration system. Just like any new system introduced, there are some challenges we are facing i.e. outdated Benefit Statements, late payment of claims, etc. We kindly ask our members to be patient with us in this new endeavor, after all the new system is to add value and peace of mind to the members once fully operational.

We hope that you enjoy the publication.

Choe till next time.



New Participating Employers Joined The Fund

Please join us in welcoming **Stampriet Village Council** to the RFLAUN family. The council joined the Fund on 1 July 2024. The new addition of the council tallies the total number of participating employers in the Fund to 55.

Financial Institutions and Markets Act (FIMA) / Compulsory Preservation

In one of the previous newsletters, we informed you that on the 28th of April 2023 NAMFISA issued a circular (FIM/04/2023) whereby they informed the public that the Minister of Finance had established a Technical Advisory Committee (TAC) to conduct further formal consultations with the broader public in terms of the proposed Compulsory Preservation Regulation.

The principal objective of the TAC was to engage and obtain broad-based feedback from all stakeholders countrywide in terms of their views regarding the proposed compulsory preservation regulation as was issued by the Minister. These engagements took the form of "Townhall" sessions conducted countrywide which were concluded towards the end of last year. Next steps now would be for the TAC to submit a report following the outcome of these engagements to the Minister of Finance for further consideration.

As things stand, the FIMA legislation still remains suspended as per the powers of the Minister of Finance.

National Pension Fund

Currently the Social Security Act also makes provision for amongst others the implementation of a National Pension Fund as well as a National Medical Aid Scheme.

It is especially discussions pertaining to the possible implementation of a National Pension Fund that gained momentum over the last couple of months with various engagements with different stakeholders, facilitated by the Social Security Commission.

Currently two funding models are being proposed in terms of the possible implementation of a **National Pension Fund**:

- A **defined benefit** arrangement supported by the Ministry of Labor as well as the International Labor Organization which will require a **compulsory total contribution of 15.9%** (capped at the current MSD maximum salary).
- A **defined contribution** arrangement proposed by the Social Security Commission (SSC) which will be a hybrid model with 2% of the total contribution of 13% of remuneration (up to the prevailing MSD cap) to be appropriated to fund management costs and to

offer certain minimum death and disability benefits. The 11% balance will be allocated to each individual member's savings component to accumulate for retirement.

From feedback received it would appear that the Ministry of Labor is very much in support of the ILO model in terms of the funding structure of the National Pension Fund. As indicated this model will be based on a defined benefit arrangement and will require a compulsory contribution of 15.9% of defined salaries with no exemption provided for in terms of existing private arrangements like the Retirement Fund for Local Authorities and Utility Services in Namibia.

This proposed funding model will not only have a huge negative impact on the future financial viability of the Fund, but also in terms of the Namibian economic landscape as a whole. The Namibia Employers Federation (NEF), as well as Organised Labor, were much more in support of the model proposed by the Social Security Commission which is based on a defined contribution arrangement of 13% of defined salaries, and which also makes provision for exemption in terms of existing private arrangements.

It is important to ensure that your tax affairs with NamRA are up to date

Any benefit payable or transferable by the Fund first needs to be cleared by NamRA who issues a directive in terms of the amount of tax to be deducted on any benefits payable / transferable.

NamRA is not going to issue any tax directive if your annual assessments are not up to date, or if you owe outstanding taxes, and without said directive the Fund cannot pay any benefits in your favour - not to you nor to your beneficiaries/dependents.

The Fund have instances where the finalization of payments is delayed because members did not submit their annual tax returns for assessment during formal employment, or they still owed some money in terms of taxes payable.

It is therefore not only in your own, but also in your family's interest that you are in good standing with NamRA and that all your tax returns are submitted regularly as required by the Income Tax Act.



Pensioner Trustee

The Board of Trustees of RFLAUN has appointed **Mr. Deon Gerber** as the **pensioner trustee** to serve on the board from **2024 till 2028**.

Annual Investment Returns

The Funds' total assets as at **30 June 2024** amounted to **N\$7,491,726,316** which comprises of the portfolios below:

Market Value Portfolio N\$6,684,758,600

Capital Protection Portfolio (CPO 1) (Old Mutual) N\$7,264,225

Capital Protection Portfolio (CPO 2) (Sanlam, Old Mutual, Momentum & Standard Bank) N\$799,703,491

The table below provides an indication of the monthly investment returns earned on the respective portfolios for the Fund year from 1 January 2024 to **30 June 2024**.

	Jan	Feb	Mar	Apr	May	June	YTD 2024
Market Value Portfolio	-0.4	0.7	1.3	0.9	1.2	1.2	5.2%
CPO 1	0.6	0.6	0.6	0.6	0.6	0.6	3.9%
CPO 2	0.8	0.8	0.8	0.8	0.8	0.8	4.6%

Market Commentary Q2 2024

With the passing of time, one quickly forgets how disruptive COVID was on our daily lives and livelihoods and today, more than four years later already, it seems that it happened a much longer time ago.

Probably also one of humankind's coping mechanisms to "forget" and "hide-away" bad experiences such as these that were unprecedented in modern human history. Our thoughts and prayers again go out to those members who lost loved ones and colleagues during these extraordinary times.

Although we are able to move around again without any restrictions and socialize as before, from an economic perspective, the fallout from COVID is still very much evident. Central Banks globally are still trying to recover from the consequences of the measures that were implemented to protect economies during the pandemic

with the **biggest challenge remaining inflation, inflation, inflation.....**

As highlighted in previous editions of the newsletter, inflation had its initial original in the billions and billions of US\$ that were made available by Governments by means of stimulus packages during lockdowns in order to support the consumer financially, and to protect economies during these unprecedented periods.

Supply chain constraints when economies started opening up again further fuelled the inflation fires and to complete the "perfect storm", the invasion of Ukraine by Russia had a further negative impact with inflation reaching record levels globally. It was especially food inflation which was most severely impacted with basic food items like cooking oil, maize meal etc reaching record highs.



Central Banks' (United States Federal Reserve, South African Reserve Bank, Bank of Namibia etc) reaction to inflation reaching record high levels were to start increasing interest rates quite aggressively. Unfortunately, this strategy did not immediately have its desired effect and inflation remained persistently sticky for much longer than expected. This then also meant that Central Banks could not start considering cutting interest rates.

Globally, the World is now waiting to see when the United States Federal Reserve is going to start cutting interest rates. Indications are that this might start happening towards the third quarter of 2024, but with the American economy remaining robust and very strong, this might

very well be pushed out to only the fourth quarter of 2024. Once the United States then start cutting interest rates, the rest of the World will follow with each Country assessing its fiscal position accordingly.

In Namibia, as we all know, we are very much dependent on South African interest rate policy decisions and things there are not looking all that rosy. It must also be remembered that our Namibian repo rate is currently 0.50% below that of South Africa at 7.75%. It might thus very well happen that when South Africa starts cutting interest rates, the Bank of Namibia do not follow immediately in order to first reduce this difference.

Unfortunately, where interest rates cuts were in the beginning of the year expected during the second half of 2024, this has been pushed back again and realistically in Namibia we should brace ourselves for high rates until the end of the year, **and then hopefully start seeing interest rate cuts during the first half of 2025.**



Markets responded quite positively to the outcome of the recent elections in South Africa and the formation of the Government of National Unity with the JSE All Share Index for the first time in history breaching the 80,000 mark and the currency for the first time in a very long-time trading below R 18 to the U\$.

A lot of challenges however remain with overall economic conditions being particularly tough in South Africa, exacerbated by a challenging operating environment for local businesses and rising government bond yields. South

Africa's expected growth for 2024 is 0.9% and continues flirting with a contraction in economic activity resulting in increasing daylight between a deteriorating South African fiscal trajectory and an improving Namibian trajectory.

Internally, political risks related to the recently concluded elections and fiscal management concerns, including the poorly received February budget and reliance on reserve monetization will continue contributing to market instability.



Namibia, on the other hand, showed signs of economic resilience despite facing its own set of challenges. The FTSE NSX Local Index performed well, driven by financial companies benefiting from a higher interest rate environment.

Namibian economic growth is turning out to be very strong with real GDP now firmly exceeding pre-pandemic levels. The economy appears set to grow at a robust rate of 4% plus for several years, including 2024.

Nonetheless, the recent grey listing by the FATF and the forthcoming elections add layers of uncertainty that could impact investor sentiment and economic stability.

Looking forward to the rest of 2024 challenges remain in terms of geo-political tensions between the United States and China pertaining to Taiwan, the ongoing war between Russia and Ukraine with President Putin finding a new ally and friend in North Korea, the war between Hamas and Israel that could potentially escalate to the rest of the region as well as the upcoming United States elections in November.

One thing we know is that investment markets do not like surprises and any further escalation of existing conflicts, or new ones, will definitely have a huge detrimental impact on an already fragile market.

In the previous newsletter we informed you that regardless of all the market turmoil, volatility, geo-political developments and risks the Fund recorded one of its best investment performances in a very long time with a return of 16.10% achieved on the market value portfolio for the twelve month period ended 31 December 2023.

For the first four months of the Fund's financial year ended 30 April 2024 the investment returns were more subdued with a return of 2.62% in respect of the market value portfolio.

Again proof that the Fund's current long-term focussed investment strategy of having a diversified portfolio investing in different asset classes, exposed to different geographical areas and managed by big reputable investment managers, each with their own unique investment philosophies and style, are indeed the prudent and correct approach to follow.

In terms of current legislation every pension fund in Namibia is required to invest at least 1.75% of its total market value assets in unlisted vehicles.

Currently the Fund's exposure to this asset class as required amount to approximately N\$ 230 million which are invested in Namibia across various sectors and geographical areas ranging from infrastructure development, renewable energy, private equity, agriculture, aviation, healthcare facilities, transport, education, water treatment and purification to name but a few.

The Fund therefore not only plays a very important role in ensuring that members can retire with dignity but is also a major contributor to creating jobs in Namibia and further forms an integral part in the overall development of the Namibian economy.

RFLAUN ELSEWHERE

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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/>

The image shows three devices displaying the Net Replacement Ratio Calculator website. The laptop screen shows the full form with sections for 'Please fill in all fields', 'What is your Gender?', 'Are you Married/Cohabiting?', 'Do you have any Children?', 'Assumptions', and 'Disclaimer'. The tablet and smartphone show the same form, demonstrating its responsive design.

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. You should use this calculator as a tool to understand your retirement benefit as a portion of your retirement income. If you are seriously considering retiring within one year, please contact the Human Resources Department for an Official Retirement Quote.

Please fill in all fields

Date of Benefit Statement *
30/9/2022

NS Accumulated Fund Credit *

NS Pensionable Salary * per year
Your Annual Pensionable Salary on your current Benefit Statement

Date of Birth *

Normal Retirement Age
60 years

Member Contribution Rate *
7.5%

Assumptions

Inflation
6%

Salary Escalation
7%

What is your Gender?
☐ Male ☐ Female

Are you Married/Cohabiting?
☐ Yes ☒ No

Qualifying Spouse(s) as per the Fund Rule (Civil marriage, Customary union or Cohabitation)

Do you have any Children?
☐ Yes ☒ No

Means of biological, legally adopted and step children. Children between 18 - 25 years must be enrolled in an educational institution.

Disclaimer

This Net Replacement Ratio calculator is intended to provide an estimate projection ONLY. It is not intended, and should not be taken as an Official Retirement Quote, nor should it be relied upon as a calculation of the exact amount of your retirement income. Contact your Financial Adviser to obtain informed advice. RFLAUN expressly disclaims all liability and responsibility to any person who relies, or partially relies, on anything done or omitted to be done by this calculator.

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.