

THE RETIREMENT FUND FOR LOCAL AUTHORITIES AND UTILITY SERVICES IN NAMIBIA

(Registration Number 25/7/7/107)
ACTUARIAL VALUATION REPORT
as at 31 December 2023

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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 2023. This summary is for reference purposes only, and should be read in the context of the full report.

Membership as at 31 December 2023

The membership of the Fund as at 31 December 2023 is as follows:

	31 December 2023	31 December 2022
Number of Active Members	4,664	4,722
Number of Pensioners	1,852	1,718

Financial Position

The financial position of the Fund as at 31 December 2023 was as follows:

	Assets N\$'000	Liabilities N\$'000	Reserves N\$'000	Surplus N\$'000
Active Member Share Account	5,158,121	5,124,277	0	33,844
Actives Reserve Account	224,897	0	224,897	0
Pensioners Account	1,854,439	1,576,239	236,436	41,764
Disability Pensioners Account	1,044	0	0	1,044
TOTAL	7,238,501	6,700,516	461,333	76,652

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	1.879%
Disability premiums	0.740%
Dread Disease premiums	0.439%
Funeral premiums	0.160%
Administration expenses	1.007%
Benefit Consulting fees	0.040%
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	15.287%

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 0.50% to active Members' shares be made from the unallocated reserves.

I recommend that a 4.0% pension increase be granted effective 1 July 2024 and that a 13th cheque bonus is paid in December 2024.

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.

1. Introduction

1.1 Purpose of the report

This report gives the results of the 31 December 2023 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 2023 ("the Valuation Date") and covers the 2023 Financial Year i.e. 1 January 2023 to 31 December 2023. The previous statutory actuarial valuation was conducted as at 31 December 2021, the previous interim actuarial valuation was conducted as at 31 December 2022 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 2023. A special bonus interest allocation of 0.10% was allocated to all active effective 30 September 2023. The reserves of the Fund were held 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 2023 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 2023 reconciled with that of 31 December 2022.

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 2023	31 Dec 2022
Number of Members	4,664	4,722
Averages:		
Age (years)	44.1	43.7
Service (years)	11.6	11.4
Annual Pensionable Salaries:		
Total (N\$'000)	1,064,832	1,040,082
Average (N\$)	228,150	221,435
Member's Shares:		
Total (N\$'000)	5,124,277	4,590,553
Average (N\$)	1,095,892	972,163

Below is a reconciliation of the Fund's active membership over the 2023 Financial Year:

Active Members as at 31 December 2022	4,722
Less: Late Exits	(29)
Plus New Entrants	233
Less Deaths	(12)
Less Retirements	(122)
Less Withdrawals	(128)
Active Members as at 31 December 2023	4,664

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 2023	31 Dec 2022
Number of Actively Paid Pensioners		
Males	1,161	1,095
Females	691	623
TOTAL	1,852	1,718
Pension-Weighted Average Age:		
Males (years)	64.5	63.4
Females (years)	61.3	58.9
TOTAL (years)	63.3	62.9
Annual Pensions:		
Total (N\$'000)	126,590	104,507
Average (N\$)	68,353	60,830

Below is a reconciliation of the Fund's pensioner membership over the 2023 Financial Year:

	Pensioners	Suspended Pensioners	Total Pensioners
Pensioners as at 31 December 2022	1,718	226	1,944
Plus New Pensioners	171	-	171
Less Deaths	(46)	(2)	(48)
Less Terminations	(4)	(32)	(36)
Suspended	(271)	271	-
Reinstated	284	(284)	-
Pensioners as at 31 December 2023	1,852	179	2,031

4. Assets

4.1 Summary of Fund assets

The assets of the Fund are currently managed by a number of investment managers. The investment portfolios include both market linked and smoothed bonus portfolios.

The net asset value of the Fund is set out in the table below:

	31 Dec 2023	31 Dec 2022
	(N\$'000)	(N\$'000)
Invested and Other Non-Current Assets	7,191,555	6,329,291
Bank Account	108,951	71,168
Contributions Receivable	26,186	26,926
Other Current Assets	3,966	2,468
Creditors	(92,157)	(100,372)
Net Asset Value per Financial Statements	7,238,501	6,329,481

Non-Current Assets include both properties and direct housing loans to members.

The Fund earned a return of 15.4% over the 2023 Financial Year. The financial structure of the Fund is outlined in Annexure III and a Revenue Statement is given in Annexure IV.

Inflation in Namibia as measured by the Consumer Price Index was 5.3% over the 2023 Financial Year, compared to 6.9% over the 2022 Financial Year.

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.

CPO 1 invests in Old Mutual Absolute Core Growth portfolio

CPO 2 invests in / (disinvests from) the following portfolios:

- Old Mutual Absolute Core Growth portfolio 25% / (33.0%)
- Sanlam Stable Bonus portfolio 25% / (33.0%)
- Standard Bank Namibia Money Market Fund (Stanlib) 25% / (34.0%)
- Momentum Smooth Bonus Fund 25% / (0%)

In the 31 December 2022 valuation report a concern was raised about whether the matching of the assets and liabilities for the CPO 1 and CPO 2 investment options is being done in the correct manner. This was subsequently examined further and discussed with RFS, I can confirm that the matching is being done correctly and timeously.

For CPO 1, the position as at 31 December 2023 was as follows:

Member liabilities: N\$ 6,980,063
Portfolio asset: N\$ 6,966,234
Difference: N\$ 13,829

An amount of N\$13,829 was invested with Old Mutual on 7 February 2024 to rebalance the assets and liabilities for CPO 1.

For CPO 2, the position as at 31 December 2023 was as follows:

Member liabilities: N\$ 719,824,905
Exits (January 2024): N\$ 14,441,784 (since the asset-liability match for December 2023 was done towards the end of January 2024, RFS had already disinvested provisional money for January 2024 exits which RFS were made aware of)
Revised liabilities N\$ 705,383,121
Portfolio assets: N\$ 751,019,574
Difference: N\$ 45,656,452

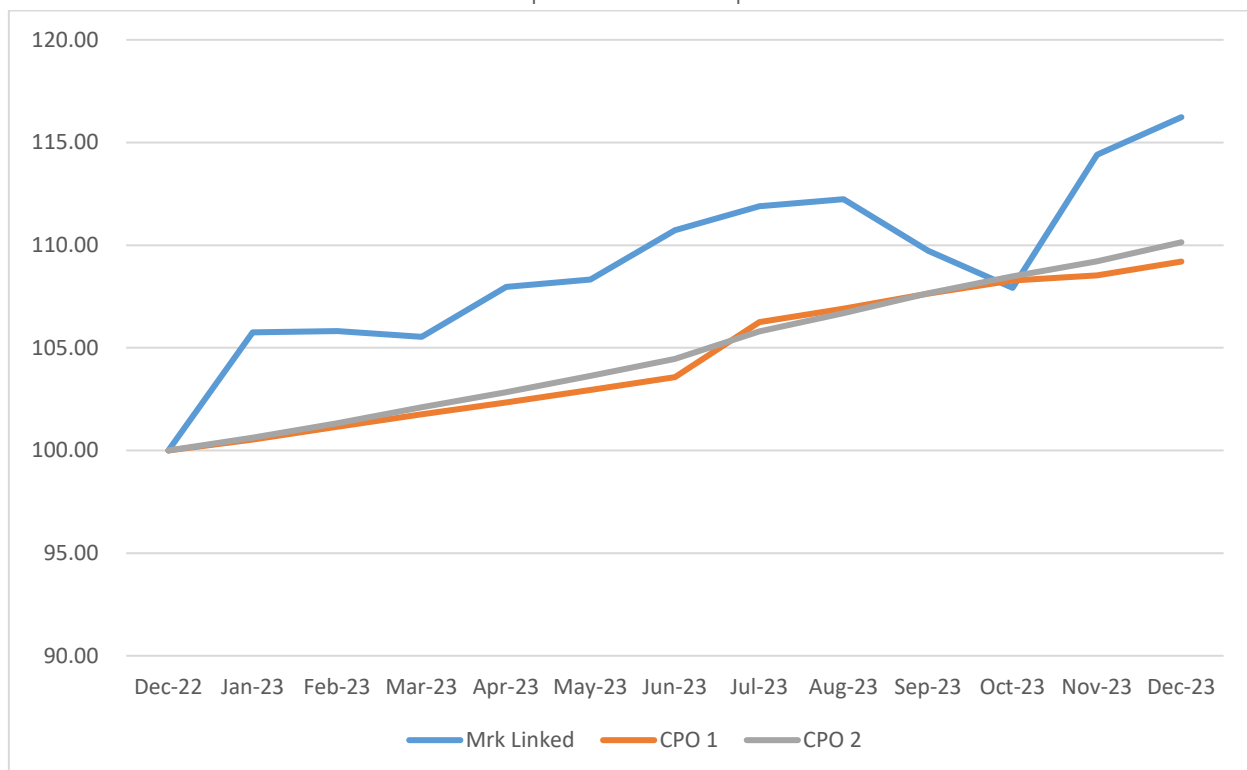
The following cashflows were implemented to balance CPO 2 assets and liabilities:

Investment Manager	Contributions invested	Date	Exits disinvested	Date	Total
OMLAC	N\$503,478	08/02/2024	(N\$15,724,620)	08/02/2024	(N\$15,221,142)
SANLAM	N\$503,478	07/02/2024	(N\$15,724,620)	07/02/2024	(N\$15,221,142)
STANLIB	N\$503,478	01/02/2024	(N\$16,201,123)	01/02/2024	(N\$15,697,646)
MOMENTUM	N\$503,478	07/02/2024			N\$503,478
					(N\$45,636,452)

Monthly returns over the 2023 Financial Year were as follows (including an additional return of 0.10% in September 2023):

	Market Linked	CPO 1	CPO 2
January 2023	5.75%	0.53%	0.62%
February 2023	0.06%	0.62%	0.70%
March 2023	-0.26%	0.60%	0.77%
April 2023	2.30%	0.57%	0.72%
May 2023	0.33%	0.59%	0.77%
June 2023	2.23%	0.62%	0.80%
July 2023	1.05%	2.59%	1.28%
August 2023	0.31%	0.61%	0.85%
September 2023	-2.23%	0.69%	0.90%
October 2023	-1.65%	0.60%	0.77%
November 2023	6.01%	0.23%	0.68%
December 2023	1.59%	0.62%	0.84%
TOTAL	16.23%	9.20%	10.14%

The cumulative returns over the 2023 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 2023 Financial Year:

	N\$
Balance as at 31 December 2022	6,329,481,105
Member Contributions	123,500,333
Employer Contributions	226,868,758
Transfers In	1,045,449
Reinsurance Proceeds	12,299,127
Reinsurance Premiums	(36,005,355)
Fund Expenses	(38,657,665)
Benefits	(351,081,456)
Investment Return	970,290,302
Revaluation of Property	760,386
Balance as at 31 December 2023	7,238,500,984

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 2023 the various Fund Account balances were as follows (with 31 December 2022 balances shown for comparison):

	31 Dec 2023	31 Dec 2022
	N\$'000	N\$'000
Share Account	5,158,121	4,594,407
Actives Reserve Account	224,897	160,079
Pensioners Account	1,854,439	1,574,103
Disability Pensioners Account	1,044	892
TOTAL	7,238,501	6,329,481

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 2023 Financial Year.

The movement in the Members' Share Account over the 2023 Financial Year was as follows:

	N\$
Balance as at 31 December 2022 per valuation	4,594,406,537
Reversal of 2021 valuation adjustment	(29,178,754)
Balance as at 31 December per financial statements	4,565,227,783
Member contributions	123,500,333
Employer contributions	157,207,344
Transfers In	1,045,449
Reinsurance proceeds on death	12,267,372
Benefits payable out of RFLAUN	(230,012,049)
Transfers to Pensioners' Account on retirement	(163,422,492)
Bonus allocated to Members	<u>692,307,509</u>
Balance as at 31 December 2023 per financial statements	5,158,121,249

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

	N\$'000
Market-Linked	4,397,445
CPO 1	6,980
CPO 2	719,825
	5,124,277

5.4 Pensioners Account

The Pensioners Account consists of the Pooled Pensioners' assets, totalling N\$ 1,854,439,380 as at 31 December 2023.

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 2023 Financial Year:

	N\$
Balance as at 31 December 2022 per valuation and adjustment in financial statements	1,574,102,702
Transfers on retirement	163,422,492
Pensions paid	<u>(120,091,249)</u>
Balance as at 31 December 2023 per financial statements	1,617,433,945
Investment returns	245,816,226
Fund expenses	<u>(8,810,791)</u>
Balance as at 31 December 2023 per valuation	1,854,439,380

The liability of the pensions is N\$1,576,239,454 as at 31 December 2023. 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 2023 was therefore as follows:

	31 Dec 2023	31 Dec 2022
	N\$'000	N\$'000
Asset Value	1,854,439	1,574,103
Liabilities	1,576,239	1,284,100
Solvency Reserve (10%)	157,624	128,410
Data Reserve (5%)	<u>78,812</u>	<u>64,205</u>
Total Liabilities and Reserves	1,812,675	1,476,716
Surplus	41,764	97,387
Funding Level	102.3%	106.6%

The Fund earned a net investment return of 15.4% for the 2023 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\$24,644,874** as at 31 December 2023. This potential liability has been included in the solvency position, unlike the treatment in previous years.

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 2023 was derived as **N\$711,927,003**. For the vast majority of pensioners, their actuarial liability value exceeded their residual capital guarantee value as at 31 December 2023.

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 2019	3.9%	4.0%	103%
1 July 2020	2.1%	2.0%	95%
1 July 2021	4.1%	4.0%	98%
1 July 2022	6.0%	5.3%	88%
1 July 2023	5.3%	5.3%	100%
Average	4.3%	4.1%	96%

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. All of the disability pensioners are now insured. The monthly pensions for insured members are paid by the insurer through the Fund, while the Fund historically met the benefit obligation for uninsured pensioners. Uninsured disability pensioners were mainly members who were disabled before the Fund's disability insurance policy with the insurer came into effect.

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

	N\$
Balance per 31 December 2022 valuation	892,581
Reinsurance proceeds	31,755
Disability pensions paid	(18,118)
Investment returns	<u>137,495</u>
Balance as at 31 December 2023	1,043,713

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 2023.

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\$ 224,896,642 as at 31 December 2023, representing 3.69% of the total active Member liabilities. This balance can be split as follows:

	31 Dec 2023	Ratio to Total Member Shares	
	N\$	Actual	Target
Data Reserve	25,560,189	0.50%	0.50%
Risk Reserve	51,120,379	1.00%	1.00%
General Reserve/Mismatch Reserve	67,323,804	1.31%	0.50%
Expense Reserve	45,157,053	0.88%	0.50%
Office Building	35,735,217	n/a	n/a
TOTAL	224,896,642	3.69%	2.50%

The movement in the Actives Reserve Account over the 2023 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 2023 balance per valuation	22,830,551	22,148,394	44,296,789	35,828,720	34,974,831	160,079,285
Adjustment reversal	29,178,754	-	-	-	-	29,178,754
1 January 2023 balance per financial statements	52,009,306	22,148,394	44,296,789	35,828,720	34,974,831	189,258,040
Employer contributions			36,005,355	33,656,059		69,661,414
Risk premiums			(36,005,355)			(36,005,355)
Fund expenses				(38,657,665)		(38,657,665)
Revaluation of property					760,386	760,386
Investment returns	970,290,302					970,290,302
Late payment interest to exits	(960,040)					(960,040)
Bonus allocation	(708,199,518)	3,411,795	6,823,590	5,519,147		(692,445,004)
31 December 2023 balance per financial statements	313,140,031	25,560,189	51,120,379	36,346,261	35,735,217	461,902,078
Transfer to Pensioner Account	(245,816,226)			8,810,791		(237,005,435)
Balance as at 31 December 2023 per valuation	67,323,804	25,560,189	51,120,379	45,157,053	35,735,217	225,940,356

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	1.879%
Disability premiums	0.740%
Dread Disease premiums	0.439%
Funeral premiums	0.160%
Administration expenses	1.007%
Benefit Consulting fees	0.040%
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	15.287%

The allocation towards non-pensionable salary linked expenses is therefore **2.308%** of pensionable salaries. Based on the 2023 Financial Statements the non-pensionable salary expenses totalled **2.808%** of pensionable salaries, revealing a shortfall of 0.5%.

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 the expected shortfall.

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 4.6% for the year ended 30 June 2024.

7.3 Investment Performance

Investment returns per investment strategy over the period 1 January to 30 June 2024 were as follows:

Investment Strategy	Investment Return
Market Linked	5.17%
CPO 1	3.87%
CPO 2	4.86%
Weighted Average	5.12%

This is equivalent to a 10.5% annualised return over the first 6 months of the 2024 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 2023 valuation date and allowing for subsequent investment performance. Therefore a 4.6% pension increase can be granted effective 1 July 2024.

7.5 Alternative – bonus for pensioners

In 2022 a 13th cheque bonus was granted pensioners with the December payments. To avoid setting a precedent this was not done in 2023. Given the current strength of the Pensioner Account, a 13th cheque bonus could be paid in December 2024.

8. Conclusions and Recommendations

8.1 Conclusions

The Fund was financially sound as at 31 December 2023, 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

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 0.50% to active Members' shares be made from the excess assets backing the Members' Shares.

I recommend that a 4.0% pension increase be granted effective 1 July 2024 and that a 13th cheque bonus be granted in December 2024. 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 2024

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.