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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 2020

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COMPILED BY:

Old Mutual Corporate Consultants



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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 2019. This summary is for reference purposes only, and should be read in the context of the full report.

Membership as at 31 December 2020

The membership of the Fund as at 31 December 2020 is as follows:

	31 December 2020	31 December 2019
Number of Active Members	4,843	4,729
Number of Pensioners	1,787	1,786
Number of Disability Pensioners	3	3

Financial Position

The financial position of the Fund as at 31 December 2020 was as follows:

	Assets	Liabilities	Surplus
	N\$'000	N\$'000	N\$'000
Active Member Share Account	3,799,605	3,799,605	-
Actives Reserve Account	190,464	-	190,464
Pensioners Account	1,225,466	1,073,817	151,649
Disability Pensioners Account	43,251	412	42,839
TOTAL	5,258,786	4,873,834	384,952

Contribution Allocation

Members may select from a wide range of rates at which to contribute. The Employer contribution is currently allocated as follows following the valuation:

	January 2019
Total Employer Contributions	21.700%
Group Life Assurance	1.790%
Disability	0.688%
Dread Disease	0.500%
Administration expenses	0.997%
Benefit Consulting	0.050%
To Reserve	2.086%
Net Employer Contributions	15.589%

Conclusions and Recommendations

The Fund was financially sound as at 31 December 2020.

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.

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 a 4.0% pension increase be granted effective 1 July 2021.

1. Introduction

1.1 Purpose of the report

This report gives the results of the 31 December 2020 interim 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 interim valuation is as at 31 December 2020 ("the Valuation Date") and covers the 2020 Financial Year i.e. 1 January 2020 to 31 December 2020. The previous statutory actuarial valuation was conducted as at 31 December 2018 and the previous interim actuarial valuation was conducted as at 31 December 2019. The next statutory actuarial valuation of the Fund is due as at 31 December 2021.

This interim 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 2.0% effective 1 July 2020 and adjusted the allocation of the Employer contribution rate.

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

Rule amendment 6 was effective 1 October 2019, it was approved on 19 February 2020. Rule amendment 6 allowed for a number of required changes to the Rules; however, the only change in benefits that it incorporated was to provide that the Normal Retirement Age for Members who remain in employment after reaching the age of 60 years is age 65 years.

Rule amendment 7 was effective 1 June 2020 and approved on 8 June 2020, but this only applied to changes to election procedures and therefore did not impact on benefits.

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 Retirement Fund Solutions ("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 2020 reconciled with that of 31 December 2019.

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 2020	31 Dec 2019
Number of Members	4,843	4,729
Averages:		
Age (years)	43.0	42.7
Service (years)	10.8	10.7
Annual Pensionable Salaries:		
Total (N\$'000)	1,048,908	1,014,391
Average (N\$)	216,582	214,504
Member's Shares:		
Total (N\$'000)	3,799,605	3,564,537
Average (N\$)	784,556	753,761

Below is a reconciliation of the Fund's active membership over the 2020 Financial Year:

Active Members as at 31 December 2019	4,729
Less: Late Exits	(6)
Plus New Entrants	299
Plus Transfers In	2
Less Transfers Out	(2)
Less Deaths	(12)
Less Retirements	(99)
Less Withdrawals	(68)
Active Members as at 31 December 2020	4,843

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 2020	31 Dec 2019
Number of Pensioners		
Males	1,041	1,115
Females	580	639
TOTAL	1,621	1,754
Pension-Weighted Average Age:		
Males (years)	65.2	63.9
Females (years)	63.4	62.1
TOTAL (years)	64.7	63.4
Annual Pensions:		
Total (N\$'000)	86,421	81,565
Average (N\$)	53,314	46,502

Below is a reconciliation of the Fund's pensioner membership over the 2020 Financial Year:

	Pensioners	Suspended Pensioners
Pensioners as at 31 December 2019	1,594	192
Plus New Pensioners	146	-
Less Deaths	(50)	(9)
Less Terminations	(43)	(43)
Suspended	(413)	413
Reinstated	387	(387)
Pensioners as at 31 December 2020	1,621	166

3.4 Disability Pensioners

As at 31 December 2019 there were 30 insured disability pensioners and 2 uninsured disability pensioners in the Fund. The Trustees took the decision to outsource the administration of the insured disability pensioners to the relevant insurance companies. The majority were outsourced during October 2020, the final 2 insured disability pensioners were outsourced on 1 January 2021. One of the uninsured disability pensioners retired during the 2020 Financial Year, leaving one only uninsured disability pensioner remaining in the Fund as at 31 December 2020.

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 Investec (subsequently renamed 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 As at 31 December 2020, these investments represented 3.4% of the overall invested assets and 4.0% of the assets within the market linked portfolio.

For the purpose of establishing compliance with regulation 13 in terms of committed capital as defined in regulation 14, committed capital towards unlisted investments accounted for 3.4% of investments and thus the Fund was compliant at 31 December 2020.

The value of the policies as at 31 December 2020 and the comparative figures as at 31 December 2019 are set out in the table below:

	Account Balances			
	31 December 2020		31 December 2019	
	(N\$'000)	%	(N\$'000)	%
Allan Gray Namibia	1,069,793	20.2%	1,257,273	25.4%
Capricorn Asset Management	161,333	3.0%	60,270	1.2%
EOS Capital	11,877	0.2%	12,626	0.3%
IJG Capital	8,596	0.2%	8,970	0.2%
Ninety One Asset Management Namibia	1,095,521	20.7%	846,367	17.1%
Namibia Asset Management	1,129,324	21.3%	953,202	19.2%
Old Mutual Namibia	472,602	8.9%	616,659	12.4%
Prudential Portfolio Managers Namibia	1,063,534	20.1%	1,063,916	21.5%
Sanlam Life Namibia	190,836	3.6%	120,668	2.4%
Stanlib Namibia Unit Trust Management	68,603	1.3%	-	0.0%
Property and Equipment	20,070	0.4%	13,357	0.3%
Value of Invested Assets	5,292,087	100%	4,953,309	100%
Bank Account	26,431		18,482	
Contributions Receivable	25,441		25,997	
Other Current Assets	8,407		6,100	
Creditors	(93,580)		(74,126)	
Net Asset Value per Financial Statements	5,258,786		4,929,763	

The Fund earned a return of **5.5%** over the 2020 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

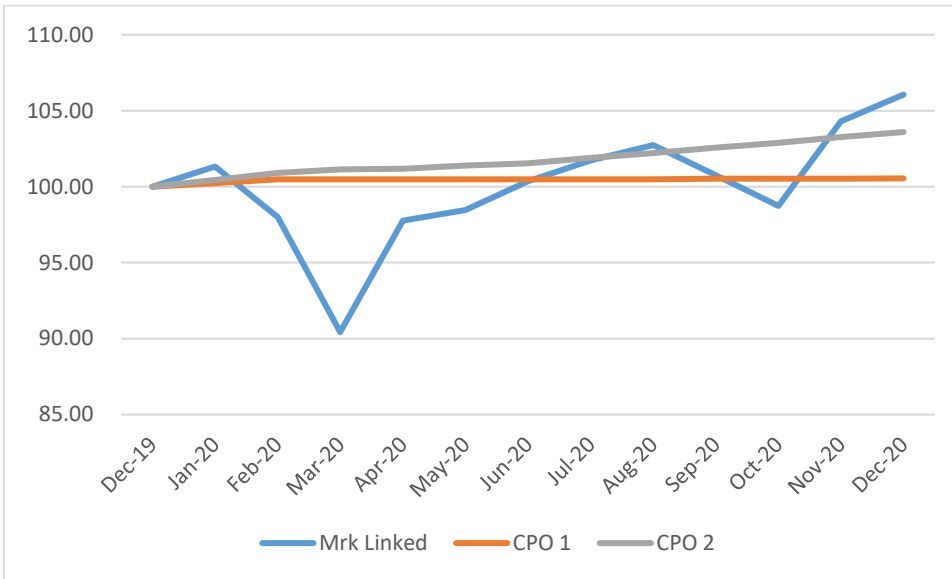
In terms of the Fund's life stage model, the Fund Credits of all members aged 55 at 1 April and 1 October each year are automatically transitioned to the Capital Protection Portfolio. Members however have the option to remain in the Market linked Portfolio and are required to confirm in writing by signing 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 2020	1.33%	0.24%	0.44%
February 2020	-3.30%	0.24%	0.46%
March 2020	-7.72%	0.01%	0.22%
April 2020	8.12%	0.00%	0.05%
May 2020	0.70%	0.00%	0.20%
June 2020	1.93%	0.00%	0.15%
July 2020	1.37%	0.00%	0.35%
August 2020	0.99%	0.00%	0.33%
September 2020	-1.93%	0.03%	0.35%
October 2020	-1.99%	0.00%	0.30%
November 2020	5.63%	0.00%	0.37%
December 2020	1.68%	0.03%	0.32%
TOTAL	6.06%	0.55%	3.60%

Inflation in Namibia as measured by the Consumer Price Index was 2.4% over the 2020 Financial Year, compared to 2.6% over the 2019 Financial Year.

The cumulative returns over the 2020 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 2020 Financial Year:

	N\$
Balance as at 31 December 2019	4,929,762,881
Member Contributions	123,136,070
Employer Contributions	226,010,388
Reinsurance Proceeds	19,275,459
Reinsurance Premiums	(31,571,503)
Fund Expenses	(29,843,591)
Transfers In	12,054,936
Benefits	(264,125,581)
Investment Return	274,086,760
Balance as at 31 December 2020	5,258,785,819

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 2020 the various Fund Account balances were as follows (with 31 December 2019 balances shown for comparison)

	31 Dec 2020	31 Dec 2019
	N\$'000	N\$'000
Share Account	3,799,605	3,564,537
Actives Reserve Account	190,464	183,948
Pensioners Account	1,225,466	1,140,275
Disability Pensioners Account	43,251	41,003
TOTAL	5,258,786	4,929,763

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 2020 Financial Year.

The movement in the Members' Share Account over the 2020 Financial Year was as follows:

	N\$
Balance as at 31 December 2019	3,564,537,231
Member contributions	123,136,070
Employer contributions	163,187,447
Reinsurance proceeds on death	16,939,382
Transfers in	12,054,936
Death benefits	(35,927,971)
Withdrawal benefits	(69,156,939)
Retirement benefits	(70,942,208)
Transfers to Pensioners' Account on retirement	(113,532,600)
Bonus allocated to Members	187,398,835
Balance as at 31 December 2020	3,799,604,786

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

	N\$
Market-Linked	3,470,712,681
CPO 1	262,425,153
CPO 2	66,466,952
	3,799,604,786

The Fund's Asset-Liability Matching comparison as at 31 December 2020 is as follows:

	Market-Linked	CPO 1	CPO 2
	N\$'000	N\$'000	N\$'000
Invested Assets	4,560,951	472,602	259,439
Active Member Liability	3,470,713	262,425	66,467
Pensioner Liability	1,073,817	0	0
Disability Pensioner Liability	711	0	0
Total Liabilities	4,545,241	262,425	66,467
Surplus	15,710	210,177	192,972
Funding Level	100.3%	180.1%%	390.3%

Overall asset-liability matching appears acceptable when considering the benefits payable as at the Valuation Date. There will be timing differences in cashflows between assets and liabilities.

5.4 Pensioners Account

The Pensioners Account consists of the Pooled Pensioners' assets, totalling N\$ 1,225,466,299 as at 31 December 2020.

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\$3 000 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 Pensioners Account over the 2020 Financial Year:

	N\$
Balance per 31 December 2019 valuation	1,140,274,894
Transfers on retirement	113,532,600
Pensions paid	(83,381,110)
Investment returns	61,460,734
Fund expenses	<u>(6,421,022)</u>
Balance as at 31 December 2020	1,225,466,095

The liability of the pensions is **N\$1,073,817,385** as at 31 December 2020, resulting in a surplus of **N\$151,648,710** as at 31 December 2020, equivalent to a funding level of **114.1%**. The main reasons for the decrease in surplus over the 2020 Financial Year were as follows:

- Investment returns were slightly higher than assumed, increasing surplus by roughly N\$5.881 million
- The small extra investment returns were not enough to fund the 1 July 2020 pension increase of 2%, which decreased surplus by roughly N\$22.310 million.
- Expenses of N\$6.421 million further reduced surplus.

Pensioners are entitled to a residual capital guarantee, whereby each retiree is guaranteed to have the nominal value of their accrued retirement savings paid out as pension benefits to themselves, pension benefits to their dependants or as a payment to their estate. The total value as at 31 December 2020 has been derived as **N\$483,189,960**. For the vast majority of pensioners, their actuarial liability value exceeds their residual capital guarantee value as at 31 December 2020.

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	CPI	Pension Increase	Increase as % of CPI
1 July 2016	6.7%	8.0%	119%
1 July 2017	6.1%	5.0%	82%
1 July 2018	4.0%	5.0%	125%
1 July 2019	3.9%	4.0%	103%
1 July 2020	2.1%	2.0%	95%
	4.5%	4.8%	107%

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 also valued using mortality assumptions per the PA(90) ultimate mortality table and an interest rate of 5% p.a.

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

	N\$
Balance per 31 December 2019 valuation	41,003,151
Reinsurance proceeds	2,336,077
Disability pensions paid	(2,351,965)
Investment returns	2,266,637
Fund expenses	<u>(4,159)</u>
Balance as at 31 December 2020	43,249,741

The liability of the disability pensions is **N\$412,001** as at 31 December 2020, resulting in a surplus of **N\$42,837,740** as at 31 December 2020. Only one uninsured disability pensioner remains in the Fund, the normal retirement date of this member is 31 March 2027.

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 2020.

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 Actives Reserve Account amounted to N\$ 190,464,993 as at 31 December 2020, representing 5.0% of the total active Member liabilities. This balance can be split as follows:

	31 Dec 2020	31 Dec 2019
	N\$'000	N\$'000
Data Reserve	16,218	15,369
Risk Reserve	31,738	30,076
General Reserve	142,507	138,503
TOTAL	190,464	183,948

The movement in the Actives Reserve Account over the 2020 Financial Year was as follows:

	Data Reserve	Risk Reserve	General Reserve	TOTAL
	N\$	N\$	N\$	N\$
Balance as per 2019 valuation	15,368,625	30,075,532	138,503,449	183,947,606
Employer contributions		31,571,503	31,251,438	62,822,941
Risk premiums		(31,571,503)		(31,571,503)
Fund expenses			(23,419,361)	(23,419,361)
Investment returns	849,736	1,662,885	207,846,768	210,359,389
Late payment interest to exits			(2,355,941)	(2,355,941)
Bonus allocation to members			(209,309,438)	(209,309,438)
Adjustment to benefits			(9,447)	(9,447)
Balance as at 31 December 2020	16,218,361	31,738,417	142,507,468	190,464,246

The Data Reserve is required to cover unanticipated liabilities the Fund may experience due to data errors. There were no claims funded from this reserve during the 2020 Financial Year. The only movement in the reserve was investment returns. The closing balance represents roughly 0.4% of active Member liabilities as at 31 December 2020.

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 value of the previous Risk Reserve Account moved with investment returns, the closing balance represents approximately 0.8% of active Member liabilities as at 31 December 2020.

The General Reserve represents the balance in the Reserve Account after provisions have been made for the Data and Risk Reserves. This Reserve should be seen as the unallocated assets or surplus of the Fund which can be utilised to fund special benefits, or as an additional buffer against adverse future experience. The General Reserve Account balance was approximately 3.8% of active Member liabilities as at 31 December 2020.

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. The Employer contribution allocated as follows 31 December 2020:

Total Employer Contributions	21.700%
Group Life Assurance	1.790%
Disability	0.688%
Dread Disease	0.500%
Administration expenses	0.997%
Benefit Consulting	0.050%
To Reserves	2.086%
Net Employer Contributions	15.589%

The 2.086% allocated to the Reserve Account is to cover for the cost of non-salary linked sundry expenses of the Fund. This allocation is review from time to time in order to ensure that the allocation sufficiently cover the cost of non- salary linked expenses.

Based on the annual financial statements for the 2020 Financial Year, the cost of non-salary linked expenses was as follows:

	% of Payroll
Allocation to Reserves	2.086%
Funeral premiums	0.100%
Actuarial and investment fees	0.048%
Administration fees – ad hoc	0.016%
Advertising	0.020%
Audit fees	0.043%
Membership communication	0.028%
NAMFISA levies	0.041%
Trustee and Office expenses	1.560%
Other expense	0.085%
Total Cost	1.941%
Excess/(Shortfall)	0.145%

Based on the above projection, I recommend that the allocation to the Reserve Account toward the cost of non-salary linked expenses be maintained. The General Reserve Account 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 4.1% for the year ended 30 June 2021.

7.3 Investment Performance

Investment returns per investment strategy over the period 1 January to 31 July 2021 were as follows:

Investment Strategy	Investment Return
Market Linked	9.7%
CPO 1	4.6%
CPO 2	3.9%
Weighted Average	9.2%

This is equivalent to a 16.4% annualised return over the first 7 months of the 2021 Financial Year, compared to the 5% p.a. assumed return used in the valuation basis.

7.4 Pension Increase Recommendation

Despite the poor investment performance subsequent to the Valuation Date, the Fund's solvency remains relatively strong. I therefore recommend that a 4.0% pension increase be granted effective 1 July 2021.

8. Conclusions and Recommendations

8.1 Conclusions

The Fund was financially sound as at 31 December 2020, 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 2021.

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 do not recommend any distribution from the Reserve Account to the Members due to the difficult economic conditions currently being experienced and the uncertainty of some non-salary linked expenses to be incurred following this valuation.

I recommend that a 4.0% pension increase be granted effective 1 July 2021.

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

September 2021

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\$3 000.
- 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.