

## **BENCHMARK RETIREMENT FUND SUMMARY OF THE 31 DECEMBER 2010 STATUTORY ACTUARIAL VALUATION**

### **Introduction**

1. We have carried out a statutory actuarial valuation of the Benchmark Retirement Fund ("the Fund") for the year ending 31 December 2010.
2. The previous statutory actuarial valuation of the Fund was carried out by us as at 31 December 2009. The current valuation covers the year from 31 December 2009 to 31 December 2010.
3. The full valuation report has been submitted to Namfisa.

### **Purpose of the valuation**

4. This valuation is carried out as at 31 December 2010. The purpose of this valuation is to determine whether:
  - 4.1 The Fund is administered in terms of the general rules and, where applicable, the special rules;
  - 4.2 All accounts established by the rules are maintained correctly;
  - 4.3 The investment portfolios held by the Fund are matched to the Fund's liabilities as at 31 December 2010;
  - 4.4 All expense deductions are made in terms of the Fund's rules and are in accordance with service level agreements and any marketing literature given to clients;
  - 4.5 Ad-hoc expenses are allowed for, and are allocated, on an equitable basis;
  - 4.6 The areas where the Fund's rules give discretion to the administrator are dealt with in a consistent and equitable manner;
  - 4.7 The Fund complies with legislation and service level agreements; and
  - 4.8 To meet the requirement of Section 16 of the Act that requires actuarial valuations of the Fund to be performed at intervals not exceeding 3 years.

### **Financially significant changes during the year**

5. There were no amendments to the general rules governing the Fund.
6. 8 new participating employers joined the Fund during the year. Special rules were registered in respect of these new participating employers.
7. Participating employer 55 left the Fund on 28 February 2010.
8. Participating employers 22, 34 and 100 allocated a portion of the Employer Reserve Account to their members' Shares during the year.

### Investments during the year

9. Participating employers, individual members and pensioners can elect to invest their Shares and Employer Reserve Accounts in a range of investment portfolios.
10. The 14 investment portfolios that were utilised during the year and the investment return earned during the year are shown in the following table:

Investment returns (gross of Fund fees and levies)	
Investment portfolio	Year ending 31 December 2010
AG Investment Trust	8.21%
BW Invest. Fund: cash	7.15%
Investec Balanced Fund	11.97%
Investec High Income	8.93%
IS Namibia Balanced Growth	10.47%
Met Absolute Return Fund	9.37%
NAM Balanced Defensive <sup>1</sup>	7.26%
NAM Absolute <sup>1</sup>	10.72%
OM Profile Balanced	12.15%
Prud Inflation Plus Portfolio	10.36%
Prud Namibia Balanced Fund	13.17%
Sanlam Balanced Portfolio	11.84%
SB Namibia Managed Fund	16.39%
Default Portfolio <sup>2</sup>	9.84%

1. Return applicable from 1 May 2010
  2. The Default Portfolio is determined by the Fund's Trustees. Up to December 2010, the Default Portfolio was made up in equal parts of the Prudential Inflation Plus Portfolio and the Metropolitan Absolute Return Fund. In December 2010, the Allan Gray Investment Trust replaced the Metropolitan Absolute Return Fund in the Default Portfolio.
11. Depending on the levies and fees applicable, the net investment return allocated could be between 0.05% and 1.6% lower than what is set out in previous table.

### Valuation information

12. The Fund is administered by Retirement Fund Solutions (Pty) Ltd who supplied us with the information and data set out below.
13. The following documents were examined:
  - 13.1 The general rules of the Benchmark Retirement Fund and the special rules of each participating employer of the Fund;
  - 13.2 The Service Level Agreement between the Benchmark Retirement Fund and the administrator;
  - 13.3 The Fund's audited financial statements for the year ending 31 December 2010;

- 13.4 The detailed trial balance underlying the audited financial statements;
  - 13.5 The quarterly investment reports prepared by the Fund's investment consultants;
  - 13.6 The statutory actuarial valuation report as at 31 December 2009; and
  - 13.7 The individual member application forms for 3 randomly selected individual members of the Fund.
14. The following data was examined:
- 14.1 In respect of each participating employer, records of every active member as well as of members who had exited in the past year. The information included amounts and dates of cashflows (contributions, transfers-in, investments, benefit payments etc) received or paid on behalf of the member, as well as the members' Share at 31 December 2010;
  - 14.2 A record of each individual member's and pensioner's Share and the underlying investment portfolios;
  - 14.3 A spreadsheet setting out the investments allocated to each participating employer as at 31 December 2010;
  - 14.4 In respect of each participating employer, a summary of the contribution allocation to retirement and risk benefits and administration expenses; and
  - 14.5 A schedule setting out the monthly investment returns and balance for each investment portfolio manager showing the investment return achieved by the Fund and the investment return allocated to the Fund's various accounts.

## **Fund Accounts**

15. The liabilities of the Fund are accounted for in various accounts, namely the members' Share Account, the Living Annuity Account, the Employer Reserve Account and the General Reserve Account.

### *Members' Share Account*

16. Members may participate in the Fund in one of 2 ways:
- 16.1 As an employee of a participating employer; or
  - 16.2 As an individual member.
17. A member's Share is equal to the total net contributions and transfer values received in respect of the member during the period of membership, accumulated with the net investment yield earned on the underlying portfolio(s) in which the member or participating employer elects to invest.
18. The sum of the members' Shares constitutes the members' Share Account.
19. Benefits and transfer values payable in respect of members are paid from the capital accumulated in the member's Share. Any balance remaining (e.g. due to the application of a vesting scale on resignation) in respect of exiting members employed by participating employers is transferred to the Employer Reserve Account as unallocated surplus.

#### *Living Annuity Account*

20. The Living Annuity Account consists of the total transfer values and contributions received in respect of pensioners, less any pensions paid and fees charged, accumulated with the net investment yield earned on the underlying portfolio(s) in which the pensioner elected to invest.
21. Benefits and transfer values payable in respect of pensioners are paid from the capital accumulated in the Living Annuity Account.

#### *Employer Reserve Account*

22. Participating employers' contributions towards reserves are paid into the Employer Reserve Account. This account is designed to absorb the impact of unfavourable experience and may consist of an investment, risk and data reserve. Unallocated surplus attributable to the participating employers is also transferred into this account.
23. The Employer Reserve Account can be utilised to meet the cost of benefits or to enhance member's Shares.

#### *General Reserve Account*

24. The General Reserve Account represents all residual monies in the Fund that are not allocated to a particular member, participating employer or pensioner.
25. The Fund's assets and accounts (liabilities) as at 31 December 2010 and 31 December 2009 are set out below:

	N\$	
	31 Dec 2010	31 Dec 2009
Market value of assets	595 521 898	455 552 848
Individual Member Share Account	170 917 130	154 814 646
Participating Employer Member Share Account	331 920 524	223 935 784
Living Annuity Account	72 184 220	58 083 581
Employer Reserve Account	16 301 280	15 225 760
General Reserve Account	<u>4 198 744</u>	<u>3 493 077</u>
<b>Total liabilities and reserves</b>	<b>595 521 898</b>	<b>455 552 848</b>

#### **Summary of findings**

26. We have carried out a statutory actuarial valuation of the Benchmark Retirement Fund as at 31 December 2010.
27. We are satisfied that the data and supporting information provided to us is appropriate for the purposes of the valuation.

28. Based on our valuation, we confirm the following:
- 28.1 The Fund is administered in terms of the general rules of the Fund and the special rules of the participating employers;
  - 28.2 The Share Account, Living Annuity Account, Employer Reserve Account and the General Reserve Account established by the rules are maintained correctly;
  - 28.3 The investments of the Fund are well matched to the Fund's liabilities;
  - 28.4 Expense deductions and contributions toward risk benefits are made in terms of the Fund's rules and the special rules of the participating employers and in accordance with the service level agreement;
  - 28.5 Ad-hoc expenses are paid for from the General Reserve Account and the General Reserve Account balance of 0.71% of the Fund's assets is reasonable; and
  - 28.6 The Fund complies with legislation and service level agreements.
29. We wish to thank the administrator for their assistance in supplying us with the relevant information and assisting us with our queries.
30. The Fund is in a financial sound position as at 31 December 2010.



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**COLIN HENDRIKS (FASSA FIA)**

**ACTUARY**

**In my capacity as a Director of  
Strategic Actuarial Partners Namibia (Pty) Ltd  
2 December 2011**

## APPENDICES

### APPENDIX 1: PARTICIPATING EMPLOYERS

- A1.1. We estimated the individual members' Shares based on the member data and investment portfolio returns supplied by the administrator. These estimates were successfully compared to each member's Share shown in the data as at 31 December 2010.
- A1.2. The individual estimates were then summed to obtain a Share Account estimate for each participating employer. The estimates and the actual Share Account shown in the financial statements as at 31 December 2010 are compared below. The Employer Reserve Accounts as at 31 December 2010 are also set out below.

Employer Code	Share Account as at 31 December 2010 (N\$)		Difference (%)	Employer Reserve Account (N\$)
	Per financial statements	Estimated based on data		
6	4 221 305	4 221 305	0.0%	759 581
10	2 028 800	2 028 802	0.0%	251 997
12	8 900 689	8 900 687	0.0%	945 748
14	5 190 107	5 190 113	0.0%	583 168
22	1 216 635	1 216 640	0.0%	78 382
23	21 366 512	21 366 641	0.0%	630 105
34	23 497 466	23 497 487	0.0%	719 776
36	7 887 021	7 887 020	0.0%	473 577
39	12 468 056	12 467 847	0.0%	920 581
41	1 211 837	1 211 838	0.0%	2 182
43	8 852 197	8 852 196	0.0%	575 445
44	16 873 088	16 873 095	0.0%	1 147 932
49	26 814 757	26 814 758	0.0%	1 882 928
51	368 697	368 696	0.0%	29 260
52	849 357	849 356	0.0%	10 815
53	3 724 676	3 724 674	0.0%	57 459
54	21 151 900	21 151 903	0.0%	1 352 815
56	1 670 081	1 670 080	0.0%	83 609
57	10 015 762	10 015 762	0.0%	- 25 964
62	3 773 849	3 773 848	0.0%	97 832
63	7 626 603	7 626 602	0.0%	3 831 646
65	1 493 808	1 493 807	0.0%	- 1 068
66	3 880 028	3 880 025	0.0%	- 1 126
67	14 897 737	14 897 733	0.0%	6 945
69	9 329 641	9 329 641	0.0%	- 45 196
70	9 065 805	9 065 804	0.0%	358 974
74	5 696 989	5 697 121	0.0%	65 502
75	8 855 289	8 854 830	0.0%	932 971
99	12 156 237	12 156 237	0.0%	19 354
100	998 905	998 904	0.0%	21 278
103	1 419 209	1 419 209	0.0%	- 4 391
104	2 588 463	2 588 462	0.0%	- 6 184
105	39 783 211	39 783 211	0.0%	402 886
106	14 238 613	14 238 617	0.0%	140 391
107	1 106 403	1 106 404	0.0%	12 897
108	10 168 588	10 168 588	0.0%	- 4 503
109	1 993 898	1 993 897	0.0%	15 476

Employer Code	Share Account as at 31 December 2010 (N\$)		Difference (%)	Employer Reserve Account (N\$)
	Per financial	Estimated based on		
110	1 369 025	1 369 025	0.0%	- 8 538
111	463 769	463 770	0.0%	2 259
114	497 337	497 337	0.0%	- 4 080
115	861 903	861 903	0.0%	- 5 005
116	1 001 600	1 001 601	0.0%	- 4 072
117	<u>344 672</u>	<u>344 672</u>	<u>0.0%</u>	<u>- 2 364</u>
<b>Total</b>	<b>331 920 525</b>	<b>331 920 146</b>	<b>0.0%</b>	<b>16 301 280</b>

A1.3. Based on the results set out in the preceding table, we are satisfied that the participating employer Share Accounts are correctly administered in terms of the Fund's Rules.

## APPENDIX 2: INDIVIDUAL MEMBERS AND PENSIONERS

- A2.1. We compared the individual members' Shares as stated in the financial statements to the total of all the individual members' Shares as stated in the administrators' data.
- A2.2. We compared the pensioners' Living Annuity Account shown in the financial statements to the total of all the pensioner's Shares shown in the data. The values tied up to within an acceptable difference.
- A2.3. The following table compares the individual members' Share Account and the pensioners' Living Annuity Account as per the data with the figures shown in the financial statements as at 31 December 2010:

	31 December 2010 (N\$)		Difference (%)
	Financial statements	Data	
Members' Share Account	170 917 130	170 890 538	0.0%
Pensioners' Living Annuity Account	<u>72 184 220</u>	<u>72 184 221</u>	<u>0.0%</u>
<b>Total</b>	<b>243 101 350</b>	<b>243 074 759</b>	<b>0.0%</b>



### APPENDIX 3: ASSET AND LIABILITY COMPARISON

- A3.1. We compared the total liability of the participating employers and individual members and pensioners to the assets held in respect of each of them by investment portfolio. Crucially, this shows whether the Fund has any mismatch between how its liabilities and assets will move in future.
- A3.2. From the portfolio schedule provided we were able to obtain the investment balance of each investment manager. We were also able to determine the allocation of each investment manager's balance to the participating employers, individual members and pensioners invested in that portfolio. To the participating employers' asset figures we added the outstanding "investable" amounts due as provided in the administrator's trial balance record. The "investable" amount is the amount that is due to be invested (or disinvested) in the next month. The resulting asset values were used in the table below. Housing loans are reflected as a separate asset.
- A3.3. We split the liabilities of the participating employer (Share Account plus Employer Reserve Account) and individual members and pensioner liabilities according to their investment allocation.
- A3.4. The Table A below shows the participating employer and individual member and pensioner asset and liability split between the investment portfolios.

**Table A**

Investment portfolio	N\$							%
	Participating employer		Ind. member / pensioner		"Investable"	Total		Assets / Liabilities
	Asset	Liability	Asset	Liability		Assets	Liabilities	
AG Investment Trust	146 769 098	147 200 978	102 052 545	101 913 167	- 216 228	248 605 414	249 114 145	100%
AGIT Default Portfolio <sup>1</sup>	74 134 874	74 429 558	35 544	0	0	74 170 418	74 429 558	100%
BW Invest. Fund: cash	5 482 744	5 641 030	39 834 865	39 833 185	159 039	45 476 649	45 474 215	100%
Investec Balanced Fund	34 419 097	33 934 352	16 592 881	16 563 504	- 103 161	50 908 817	50 497 856	101%
Investec High Income	1 842 363	1 921 308	3 312 745	3 309 985	76 184	5 231 293	5 231 293	100%
IS Namibia Balanced Growth	0	0	406 289	402 517	0	406 289	402 517	101%
NAM Balanced Defensive	3 111 436	3 175 578	0	0	63 890	3 175 326	3 175 578	100%
NAM Absolute	1 746 232	1 784 789	1 611 537	1 612 959	39 979	3 397 748	3 397 748	100%
OM Namibia Profile Balanced	5 115 349	5 127 373	11 604 045	11 584 630	- 19 704	16 699 691	16 712 003	100%
Prud Inflation Plus Portfolio	0	0	62 415 384	62 352 957	0	62 415 384	62 352 957	100%
PIPP Default Portfolio <sup>1</sup>	74 507 892	74 429 558	0	0	0	74 507 892	74 429 558	100%
Prud Namibia Balanced Fund	0	0	2 559 441	2 558 552	0	2 559 441	2 558 552	100%
Sanlam Managed Portfolio	0	0	595 537	595 294	0	595 537	595 294	100%
Standard Bank Managed Fund	0	0	1 353 943	1 352 752	0	1 353 943	1 352 752	100%
Housing loans	577 282	577 282	1 021 850	1 021 850	0	1 599 132	1 599 132	100%
Net current assets <sup>2</sup>	0	0	0	0	0	32 657 024	31 463 091	104%
General Reserve Account <sup>2</sup>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3 224 994</u>	<u>4 198 744</u>	77%
<b>Total</b>	<b>347 706 366</b>	<b>348 221 805</b>	<b>243 396 606</b>	<b>243 101 350</b>	<b>0</b>	<b>626 984 990</b>	<b>626 984 990</b>	

1. These two investment portfolios make up the "Default Portfolio" and as such they should largely be considered as a combined portfolio.
2. The shortfall in assets is offset by the excess cash portfolio assets.

## APPENDIX 4: MEMBERSHIP RECONCILIATION

A4.1. The membership of the Fund is reconciled as follows during the year:

### *Participating Employers*

Employer Code	Active 31.12.2009	New members	Exits	Active 31.12.2010
6	86	4	- 15	75
10	22	9	- 11	20
12	69	5	- 11	63
14	36	6	- 8	34
22	16	3	- 1	18
23	316	53	- 47	322
34	594	12	- 29	577
36	50	2	- 11	41
39	77	14	- 15	76
41	42	7	- 10	39
43	135	31	- 25	141
44	129	39	- 22	146
49	184	26	- 21	189
51	12	20	- 14	18
52	6	1	0	7
53	72	12	- 10	74
54	158	10	- 31	137
55	10	0	- 10	0
56	8	2	- 2	8
57	141	37	- 20	158
62	51	8	- 9	50
63	35	4	- 4	35
65	23	2	- 3	22
66	67	17	- 9	75
67	50	10	- 8	52
69	63	10	- 10	63
70	69	4	- 12	61
74	499	145	- 125	519
75	75	16	- 19	72
99	211	12	- 17	206
100	29	9	- 17	21
103	24	2	- 3	23
104	71	11	- 14	68
105	45	6	- 6	45
106	249	71	- 69	251
107	0	144	- 10	134
108	0	32	- 2	30
109	0	11	- 1	10
110	0	375	- 38	337
111	0	29	- 2	27
114	0	49	- 2	47
115	0	119	- 5	114
116	0	146	- 17	129
117	<u>0</u>	<u>138</u>	<u>- 10</u>	<u>128</u>
<b>Total</b>	<b>3 724</b>	<b>1 663</b>	<b>- 725</b>	<b>4 662</b>

*Individual members and pensioners*

Type	Active 31.12.2009	New members	New retirees	Exits	Active 31.12.2010
Members	303	149	- 5	- 84	363
Pensioner	48	10	5	- 1	62