

## BENCHMARK RETIREMENT FUND SUMMARY OF THE 31 DECEMBER 2012 STATUTORY ACTUARIAL VALUATION

### Introduction

1. We have been asked to carry out a statutory actuarial valuation of the Benchmark Retirement Fund (“the Fund”) for the year ending 31 December 2012.
2. The previous statutory actuarial valuation of the Fund was carried out by us as at 31 December 2011.
3. The full valuation report as at 31 December 2012 has been submitted to Namfisa in terms of Section 16 of the Pension Funds Act.

### Purpose of the valuation

4. This valuation is carried out as at 31 December 2012. 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 2012;
  - 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 valuation period

5. Rule amendment 7 was registered during the valuation period. This rule amendment was made in order to:
  - 5.1 Confirm that half the number of Trustees shall be independent of the Founder (Retirement Fund Solution (Pty) Ltd) and to simplify the process for the Members to nominate Trustees for consideration by the Founder;
  - 5.2 Clarify how the Employer Reserve Account can be utilised; and
  - 5.3 Clarify the benefits payable upon the death of a pensioner.
6. 4 participating employers joined the Fund during the valuation period. Special rules were registered in respect of these new participating employers.

7. No participating employers left the Fund during the valuation period. Due to the sale of a business, a section of participating employer 54 transferred out of the Fund through a Section 14 transfer.
8. Participating employers 12, 54, 75 and 121 allocated portions of the Employer Reserve Account to its members' Shares during the valuation period.
9. Participating employers 6, 10, 39 and 49 were using their Employer Reserve Accounts to subsidise their employer contribution rates towards the Fund.
10. Participating employers 43 and 44 received settlement amounts from their previous administrator and investment manager which were allocated to its members' Shares and Employer Reserve Account during the valuation period.
11. The Fund previously treated small employers with no risk benefits as individual members. From 1 January 2012, these small employers were grouped under participating employer 128 in the Fund.

### Investments during the year

12. Participating employers, individual members and pensioners can elect to invest their Shares and Employer Reserve Accounts in a range of investment portfolios.
13. The 15 investment portfolios that were utilised during the valuation period and the investment return during the valuation period are shown in the following table:

<b>Investment returns (gross of Fund fees and levies)</b>	
<b>Investment portfolio</b>	<b>Year ending 31 December 2012</b>
Allan Gray Namibia Investment Trust	15.29%
AF Namibia Balanced Growth	19.19%
Bank Windhoek: Cash	5.69%
EMHP Balanced Quantplus Fund <sup>1</sup>	5.88%
Investec Managed Fund Namibia	16.18%
Investec High Income Fund <sup>2</sup>	5.11%
NAM Coronation Balanced Defensive Fund	13.61%
NAM Coronation Capital Plus Fund	15.49%
Old Mutual Profile Balanced Fund	17.29%
Prudential Inflation Plus Fund	19.58%
Prudential Namibia Balanced Fund	19.28%
Sanlam Namibia Active Fund <sup>3</sup>	4.67%
Sanlam Namibia Balanced Fund	17.78%
Standard Bank Namibia Managed Fund	21.58%
Default Portfolio <sup>4</sup>	17.45%

1. The portfolio was added with effect from 1 August 2012. The return is for the 5 month period to 31 December 2012.
2. The portfolio was removed in September 2012. The return is for the 9 months to September 2012.
3. The portfolio was added with effect from 1 June 2012. The return is for the 7 month period to 31 December 2012.
4. During the valuation period the Default Portfolio was made up of the Allan Gray Namibia Investment Trust and the Prudential Inflation Plus Portfolio

14. Depending on the levies and fees applicable, the net investment return could be between 0.05% and 1.6% lower than what is set out in previous table.

#### **Valuation information**

15. The Fund is administered by Retirement Fund Solutions (Pty) Ltd who supplied us with the information and data set out below.
16. The following documents were examined:
  - 16.1 The general rules of the Benchmark Retirement Fund and the special rules of each participating employer of the Fund;
  - 16.2 The Service Level Agreement between the Benchmark Retirement Fund and Retirement Fund Solutions Namibia (Proprietary) Limited (the administrator);
  - 16.3 The Fund's audited financial statements for the year ending 31 December 2012;
  - 16.4 The detail trial balance underlying the audited financial statements;
  - 16.5 The quarterly investment reports prepared by the Fund's investment consultants;
  - 16.6 The statutory actuarial valuation report on the Fund as at 31 December 2011; and
  - 16.7 The individual member application forms for 20 randomly selected individual members of the Fund.
17. The following data was examined:
  - 17.1 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 the 31 December 2012;
  - 17.2 A record of each individual member's and pensioner's Share and the underlying investment portfolios;
  - 17.3 A spreadsheet setting out the investments allocated to each participating employer as at the 31 December 2012;
  - 17.4 In respect of each participating employer, a summary of the contribution allocation to retirement and risk benefits and administration expenses; and
  - 17.5 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**

18. 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*

19. Members may participate in the Fund in one of 2 ways:
  - 19.1 As an employee of a participating employer; or
  - 19.2 As an individual member.
20. 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.
21. The sum of the members' Shares constitutes the members' Share Account.
22. 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*

23. 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.
24. Benefits and transfer values payable in respect of pensioners are paid from the capital accumulated in the Living Annuity Account.

### *Employer Reserve Account*

25. 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.
26. The Employer Reserve Account can be utilised to meet the cost of benefits or to enhance member's Shares.

### *General Reserve Account*

27. The General Reserve Account represents all residual monies in the Fund that are not allocated to a particular member, participating employer or pensioner.
28. The Fund's assets and accounts (liabilities) as at 31 December 2012 and 31 December 2011 are set out as follows:

	N\$	
	31 Dec 2012	31 Dec 2011
Market value of assets	1 009 502 125	785 350 169
Individual Member Share Account	193 457 965	203 712 640
Participating Employer Member Share Account	694 228 498	476 803 598
Living Annuity Account	103 571 703	86 026 634
Employer Reserve Account	13 499 156	14 294 000
General Reserve Account	<u>4 744 803</u>	<u>4 513 297</u>
<b>Total liabilities and reserves</b>	<b>1 009 502 125</b>	<b>785 350 169</b>

### Summary of findings

29. We have carried out a statutory actuarial valuation of the Benchmark Retirement Fund as at 31 December 2012.
30. We are satisfied that the data and supporting information provided to us is appropriate for the purposes of the valuation.
31. Based on our valuation, we confirm the following:
  - 31.1 The Fund is administered in terms of the general rules of the Fund and the special rules of the participating employers;
  - 31.2 The Share Account, Living Annuity Account, Employer Reserve Account and the General Reserve Account established by the rules are maintained correctly;
  - 31.3 The investments of the Fund are well matched to the Fund's liabilities;
  - 31.4 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;
  - 31.5 Ad-hoc expenses are paid for from the General Reserve Account. The General Reserve Account balance of 0.47% of assets is reasonable; and
  - 31.6 The Fund complies with legislation and service level agreements.
32. We wish to thank the administrator for their assistance in supplying us with the relevant information and assisting us with our queries.
33. The Fund is in a financially sound position as at 31 December 2012.



**COLIN HENDRIKS (FASSA)**

**ACTUARY**

**In my capacity as a Director of  
Strategic Actuarial Partners Namibia (Pty) Ltd  
21 October 2013**

## APPENDICES

### APPENDIX 1: PARTICIPATING EMPLOYERS

- A1.1. In order to confirm each participating employers' Share Account balance, 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 2012.
- 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 2012 are compared below. The Employer Reserve Accounts as at the 31 December 2012 are also set out below.

Employer Code	Share Account as at 31 December 2012 (N\$)		Difference (%)	Employer Reserve Account (N\$)
	Per financial statements	Estimated based on data		
6	8 406 277	8 406 276	0.0%	204 737
10	2 491 529	2 491 538	0.0%	81 164
12	13 270 411	13 270 412	0.0%	194 138
14	8 521 705	8 521 710	0.0%	704 495
22	1 059 830	1 059 835	0.0%	104 058
23	30 222 281	30 222 172	0.0%	1 379 268
34	28 386 616	28 386 651	0.0%	1 130 356
36	15 684 492	15 684 491	0.0%	629 322
39	18 006 508	18 006 299	0.0%	346 781
41	1 845 727	1 845 729	0.0%	9 236
43	8 744 258	8 744 258	0.0%	1 381 317
44	20 899 745	20 899 754	0.0%	2 094 186
49	33 502 016	33 502 015	0.0%	652 680
51	467 953	467 952	0.0%	37 971
52	613 833	613 832	0.0%	18 980
53	5 726 758	5 726 756	0.0%	73 353
54	21 026 847	21 026 851	0.0%	652 753
56	1 097 435	1 097 435	0.0%	105 824
57	13 923 136	13 923 137	0.0%	- 7 750
62	5 356 187	5 356 184	0.0%	171 420
63	13 947 220	13 947 221	0.0%	59 971
65	2 614 215	2 614 212	0.0%	- 3 325
66	5 191 449	5 191 443	0.0%	1 998
67	23 656 662	23 656 655	0.0%	- 13 389
69	16 597 028	16 597 028	0.0%	- 21 452
70	12 285 399	12 285 394	0.0%	456 197
74	11 399 512	11 399 543	0.0%	241 114
75	12 845 443	12 844 984	0.0%	390 826
99	22 215 532	22 215 533	0.0%	73 757
100	2 169 307	2 169 307	0.0%	27 112
103	2 204 937	2 204 937	0.0%	6 800
104	4 130 123	4 130 124	0.0%	9 124
105	28 583 076	28 583 077	0.0%	854 265
106	21 040 160	21 040 168	0.0%	285 401
107	7 308 331	7 308 330	0.0%	130 043
108	13 685 411	13 685 411	0.0%	- 3 249

Employer Code	Share Account as at 31 December 2012 (N\$)		Difference (%)	Employer Reserve Account (N\$)
	Per financial statements	Estimated based on data		
109	7 966 386	7 966 386	0.0%	5 359
110	35 034 026	35 034 012	0.0%	304 901
111	1 888 308	1 888 308	0.0%	11 740
114	8 469 620	8 469 615	0.0%	- 29 087
115	21 594 671	21 594 670	0.0%	- 494
116	9 936 961	9 936 964	0.0%	22 299
117	14 227 435	14 227 431	0.0%	24 455
118	390 375	390 374	0.0%	- 1 589
119	1 108 852	1 108 852	0.0%	- 13 231
120	8 798 848	8 798 848	0.0%	3 311
121	45 955 589	45 955 585	0.0%	637 947
122	23 191 445	23 191 446	0.0%	52 275
125	5 909 976	5 910 124	0.0%	- 4 366
127	15 270 311	15 270 311	0.0%	28 460
128	51 975 685	51 975 685	0.0%	0
129	2 626 426	2 626 426	0.0%	4 329
135	421 589	421 589	0.0%	- 3 128
137	<u>334 646</u>	<u>334 646</u>	<u>0.0%</u>	<u>- 3 507</u>
<b>Total</b>	<b>694 228 498</b>	<b>694 227 927</b>	<b>0.0%</b>	<b>13 499 156</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.

A1.4. A summary of the participating employers' member Shares, salaries and service, by age and gender, is set out below.

Age band	Number	Shares (N\$)		Annual salaries (N\$)		Average service (years)
		Total	Average	Total	Average	
<b>Females</b>						
15 - 19	9	28 790	3 199	315 571	35 063	0.79
20 - 24	212	2 493 631	11 762	12 883 962	60 773	1.46
25 - 29	491	12 280 911	25 012	40 331 331	82 141	2.20
30 - 34	529	22 501 583	42 536	53 540 238	101 210	2.97
35 - 39	470	31 491 023	67 002	49 407 944	105 123	4.24
40 - 44	374	36 085 538	96 485	44 966 253	120 231	5.23
45 - 49	281	46 827 592	166 646	37 566 471	133 689	6.67
50 - 54	205	37 779 530	184 290	29 804 754	145 389	8.39
55 - 59	103	31 635 900	307 145	18 439 536	179 025	11.30
> 60	<u>30</u>	<u>14 390 474</u>	<u>479 682</u>	<u>5 403 218</u>	<u>180 107</u>	<u>12.08</u>
<b>Total</b>	<b>2 704</b>	<b>235 514 973</b>	<b>87 099</b>	<b>292 659 278</b>	<b>108 232</b>	<b>4.45</b>
<b>Males</b>						
15 - 19	6	4 064	677	106 260	17 710	0.35
20 - 24	257	2 035 836	7 922	12 218 930	47 544	1.35
25 - 29	631	16 840 480	26 689	49 149 577	77 892	2.26
30 - 34	843	36 456 110	43 246	86 498 511	102 608	3.03
35 - 39	662	54 630 375	82 523	81 690 709	123 400	4.46
40 - 44	527	60 109 733	114 060	66 690 754	126 548	5.73
45 - 49	363	70 486 656	194 178	53 861 356	148 378	6.73
50 - 54	237	81 046 789	341 970	46 460 746	196 037	8.94
55 - 59	138	70 094 211	507 929	30 784 450	223 076	10.35
> 60	<u>48</u>	<u>67 008 701</u>	<u>1 396 015</u>	<u>16 126 206</u>	<u>335 963</u>	<u>9.60</u>
<b>Total</b>	<b>3 712</b>	<b>458 712 954</b>	<b>123 576</b>	<b>443 587 499</b>	<b>119 501</b>	<b>4.50</b>
<b>TOTAL</b>	<b>6 416</b>	<b>694 227 927</b>	<b>108 203</b>	<b>736 246 777</b>	<b>114 752</b>	<b>4.48</b>

## 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 2012:

	31 December 2012 (N\$)		Difference (%)
	Financial statements	Data	
Members' Share Account	193 457 965	193 457 963	0.0%
Pensioners' Living Annuity Account	<u>103 571 703</u>	<u>103 569 993</u>	<u>0.0%</u>
<b>Total</b>	<b>297 029 668</b>	<b>297 027 957</b>	<b>0.0%</b>

- A2.4. The individual member data is summarised as follows:

Age band	Number	Shares (N\$)	
		Total	Average
25 - 29	5	281 149	56 230
30 - 34	18	2 415 812	134 212
35 - 39	26	7 040 128	270 774
40 - 44	60	26 931 197	448 853
45 - 49	55	32 160 252	584 732
50 - 54	52	37 998 950	730 749
55 - 59	30	44 758 621	1 491 954
60 - 64	11	13 417 894	1 219 809
65 - 69	<u>5</u>	<u>28 453 960</u>	<u>5 690 792</u>
<b>Total</b>	<b>262</b>	<b>193 457 963</b>	<b>738 389</b>

- A2.5. The individual pensioner data is summarised as follows:

Age band	Number	Shares (N\$)	
		Total	Average
55 - 59	21	24 801 703	1 181 033
60 - 64	36	44 452 578	1 234 794
65 - 69	14	22 521 499	1 608 678
70 - 74	4	5 563 214	1 390 804
75 - 79	<u>2</u>	<u>6 231 000</u>	<u>3 115 500</u>
<b>Total</b>	<b>77</b>	<b>103 569 993</b>	<b>1 345 065</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. 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. In the case of the Default Portfolio or in cases where a participating employer uses two or more underlying investment portfolios to obtain a single combined return the allocation of the liabilities by investment portfolio can only be carried out on an approximate basis. As such, we do not expect the assets and liabilities to match up 100% by investment portfolio.
- A3.4. The Table A below shows the participating employer and individual member and pensioner asset and liability split between the investment portfolios. In our view, the Fund's assets and liabilities are well matched by investment portfolio.

**Table A**

Investment portfolio	N\$						%
	Participating employer		Ind. member / pensioner		Total		Assets / Liabilities
	Asset	Liability	Asset	Liability	Assets	Liabilities	
Allan Gray Investment Trust	255 711 540	257 516 752	126 625 805	126 559 074	382 337 345	384 075 826	100%
AGIT Default Portfolio <sup>1</sup>	132 657 129	132 366 236	0	0	132 657 129	132 366 236	100%
AF Namibia Balanced Growth	17 847	17 842	937 678	937 194	955 525	955 036	100%
Bank Windhoek: Cash	11 374 614	12 132 645	36 241 357	36 217 125	47 615 971	48 349 770	98%
EMH Prescient Balanced Quant	0	0	2 192 674	2 191 897	2 192 674	2 191 897	100%
Investec Managed Fund	120 226 960	121 281 465	24 348 481	24 334 808	144 575 441	145 616 273	99%
NAM Cor Balanced Defensive	2 958 335	2 923 557	481 921	484 090	3 440 256	3 407 647	101%
NAM Cor Capital Plus	6 078 137	5 913 667	2 144 974	2 143 228	8 223 111	8 056 895	102%
OM Namibia Profile Balanced	6 816 616	6 618 135	10 732 725	10 721 873	17 549 341	17 340 007	101%
Prud Inflation Plus Portfolio	30 964 828	31 016 121	82 065 760	82 026 064	113 030 588	113 042 184	100%
PIPP Default Portfolio <sup>1</sup>	136 272 202	135 973 382	0	0	136 272 202	135 973 382	100%
Prud Namibia Balanced Fund	0	0	2 166 273	2 164 949	2 166 273	2 164 949	100%
Sanlam Managed Prudential	0	0	1 080 327	1 079 650	1 080 327	1 079 650	100%
Sanlam Active Fund	92 731	92 693	1 589 703	1 588 375	1 682 434	1 681 068	100%
Standard Bank Managed Fund	1 068 750	1 067 771	4 436 392	4 433 793	5 505 142	5 501 564	100%
Housing loans	744 389	807 389	2 147 549	2 147 549	2 891 938	2 954 938	98%
Net current assets	0	0	0	0	53 759 092	50 202 311	107%
General Reserve Account	<u>0</u>	<u>0</u>	<u>0</u>	0	<u>3 769 648</u>	<u>4 744 803</u>	79%
<b>Total</b>	<b>704 984 078</b>	<b>707 727 654</b>	<b>297 191 618</b>	<b>297 029 668</b>	<b>1 059 704 436</b>	<b>1 059 704 436</b>	

1. These two investment portfolios make up the “Default Portfolio” and as such they should largely be considered as a combined portfolio.

## APPENDIX 4: MEMBERSHIP RECONCILIATION

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

### *Participating Employers*

Employer Code	Active 31.12.2011	New members	Exits	Active 31.12.2012
6	113	33	- 18	128
10	19	6	- 6	19
12	64	13	- 12	65
14	40	5	- 7	38
22	17	4	- 6	15
23	335	63	- 40	358
34	592	14	- 144	462
36	46	5	0	51
39	80	7	- 23	64
41	30	10	- 4	36
43	150	45	- 35	160
44	156	27	- 42	141
49	198	35	- 37	196
51	15	6	- 4	17
52	7	2	- 5	4
53	66	85	- 17	134
54	139	13	- 32	120
56	12	6	- 3	15
57	152	53	- 37	168
62	50	14	- 7	57
63	40	5	- 4	41
65	20	15	- 5	30
66	75	22	- 20	77
67	52	15	- 6	61
69	76	16	- 8	84
70	64	8	- 7	65
74	555	86	- 187	454
75	84	12	- 12	84
99	148	0	- 14	134
100	30	6	- 6	30
103	21	4	- 4	21
104	81	7	- 7	81
105	48	11	- 13	46
106	320	109	- 105	324
107	169	183	- 24	328
108	28	2	- 4	26
109	12	10	- 4	18
110	368	36	- 34	370
111	28	2	- 8	22
114	132	135	- 11	256
115	109	9	- 9	109
116	107	9	- 21	95
117	129	40	- 42	127

Employer Code	Active 31.12.2011	New members	Exits	Active 31.12.2012
118	23	5	- 8	20
119	32	1	- 2	31
120	117	27	- 27	117
121	136	45	- 36	145
122	70	13	- 4	79
125	394	203	- 105	492
127	0	76	- 7	69
128	0	234	- 34	200
129	0	10	- 1	9
135	0	117	- 15	102
137	<u>0</u>	<u>21</u>	<u>0</u>	<u>21</u>
<b>Total</b>	<b>5 749</b>	<b>1 940</b>	<b>- 1 273</b>	<b>6 416</b>

*Individual members and pensioners*

Type	Active 31.12.2011	New member	New retiree	Death	Withdrawal	Internal transfer	Active 31.12.2012
Members	407	44	- 3	0	- 33	- 153	262
Pensioners	71	5	3	- 2	0	0	77