

BENCHMARK RETIREMENT FUND SUMMARY OF THE 31 DECEMBER 2013 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 2013.
2. The previous statutory actuarial valuation of the Fund was carried out by us as at 31 December 2012.
3. Each statutory actuarial valuation report is 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 2013. 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 2013;
 - 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. These areas include expense charges, investment dates, disinvestment dates, late payment interest etc;
 - 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 8 was registered during the valuation period. This rule amendment was made in order to:
 - 5.1 Allow the Fund to recover outstanding housing loan balances where a member has not exited the Fund;
 - 5.2 Allow a member or a deferred pensioner who reaches normal retirement age to become / remain a deferred pensioner; and

5.3 Extend the late retirement age from 70 to 75 years.

6. 4 participating employers joined the Fund during the valuation period. Special rules were registered in respect of these new participating employers.
7. Participating employer 116 transferred to a stand-alone privately administered Fund with effect from 1 October 2013. The member Shares and Employer Reserve Account are still in the Fund as the Section 14 transfer was only actioned after 31 December 2013.
8. Participating employers 14, 36, 44 and 105 allocated portions of the Employer Reserve Account to its members' Shares during the valuation period.
9. Participating employers 10, 34 and 43 were using their Employer Reserve Accounts to subsidise their employer contribution rates towards the Fund.
10. Small employers (employer's with nor risk benefits) are grouped under participating employer 128 in the Fund. Participating employers 22 and 52 were moved into the small employers group in the year to 31 December 2013.

Investments during the valuation period

11. Participating employers, individual members and pensioners can elect to invest their Shares and Employer Reserve Accounts in a range of investment portfolios.
12. 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:

Investment returns (gross of Fund fees and levies)	
Investment portfolio	Year ending 31 December 2013
Allan Gray Namibia Investment Trust	26.48%
Bank Windhoek: Cash	5.35%
EMHP Balanced Quantplus Fund	11.76%
Investec Managed Fund Namibia	23.65%
IS- AF Namibia Balanced Growth	16.10%
NAM Coronation Balanced Defensive Fund	17.07%
NAM Coronation Capital Plus Fund	16.27%
Old Mutual Namibia Profile Pinnacle Fund ¹	22.58%
Prudential Inflation Plus Fund	16.14%
Prudential Namibia Balanced Fund	22.31%
Sanlam Namibia Active Fund	5.89%
Sanlam Namibia Balanced Fund	20.71%
Standard Bank Namibia Managed Fund	19.61%
Investec / AG Combined Portfolio ²	25.03%
Default Portfolio ³	21.27%

1. The portfolio was changed from the Old Mutual Namibia Profile Balanced Fund to the Old Mutual Namibia Profile Pinnacle Fund from 1 October 2013.
2. Made up of the Allan Gray Namibia Investment Trust and the Investec Managed Fund Namibia.
3. Made up of the Allan Gray Namibia Investment Trust and the Prudential Inflation Plus Fund.

13. 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

14. The Fund is administered by Retirement Fund Solutions (Pty) Ltd who supplied us with the information and data set out below.
15. The following documents were examined:
 - 15.1 The general rules of the Benchmark Retirement Fund and the special rules of each participating employer of the Fund;
 - 15.2 The Service Level Agreement between the Benchmark Retirement Fund and Retirement Fund Solutions Namibia (Proprietary) Limited (the administrator);
 - 15.3 The Fund's audited financial statements for the year ending 31 December 2013;
 - 15.4 The detail trial balance underlying the audited financial statements;
 - 15.5 The quarterly investment reports prepared by the Fund's investment consultants;
 - 15.6 The statutory actuarial valuation report on the Fund as at 31 December 2012; and
 - 15.7 The individual member application forms for 20 randomly selected individual members of the Fund.
16. The following data was examined:
 - 16.1 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 2013;
 - 16.2 A record of each individual member's and pensioner's Share and the underlying investment portfolios;
 - 16.3 A spreadsheet setting out the investments allocated to each participating employer as at 31 December 2013;
 - 16.4 In respect of each participating employer, a summary of the contribution allocation to retirement and risk benefits and administration expenses; and
 - 16.5 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

17. 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

18. Members may participate in the Fund as an employee of a participating employer or as an individual member.

19. 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.
20. The sum of the members' Shares constitutes the members' Share Account.
21. Benefits and transfer values payable in respect of members are paid from the capital accumulated in the member's Share.

Living Annuity Account

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

Employer Reserve Account

24. 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.
25. The Employer Reserve Account can be utilised to meet the cost of benefits or to enhance member's Shares.

General Reserve Account

26. The General Reserve Account represents all residual monies in the Fund that are not allocated to a particular member, participating employer or pensioner.
27. The Fund's assets and accounts (liabilities) as at 31 December 2013 and 31 December 2012 are set out below:

	N\$	
	31 Dec 2013	31 Dec 2012
Market value of assets	1 338 225 026	1 009 502 125
Individual Member Share Account	266 072 392	193 457 965
Participating Employer Member Share Account	928 723 553	694 228 498
Living Annuity Account	125 652 373	103 571 703
Employer Reserve Account	12 911 054	13 499 156
General Reserve Account	<u>4 865 654</u>	<u>4 744 803</u>
Total liabilities and reserves	1 338 225 026	1 009 502 125

Summary of findings

28. We have carried out a statutory actuarial valuation of the Benchmark Retirement Fund as at 31 December 2013.
29. We are satisfied that the data and supporting information provided to us is appropriate for the purposes of the valuation.
30. Based on our valuation, we confirm the following:
 - 30.1 The Fund is administered in terms of the general rules of the Fund and the special rules of the participating employers;
 - 30.2 The Share Account, Living Annuity Account, Employer Reserve Account and the General Reserve Account established by the rules are maintained correctly;
 - 30.3 The investments of the Fund are well matched to the Fund's liabilities;
 - 30.4 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;
 - 30.5 Ad-hoc expenses are paid for from the General Reserve Account and the General Reserve Account balance of 0.36% of the Fund's assets is reasonable; and
 - 30.6 The Fund complies with legislation and service level agreements.
31. We wish to thank the administrator for their assistance in supplying us with the relevant information and assisting us with our queries.
32. The Fund is in a financially sound position as at 31 December 2013.



COLIN HENDRIKS (FASSA)

ACTUARY

**In my capacity as a Director of
Strategic Actuarial Partners Namibia (Pty) Ltd
5 September 2014**

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 2013.
- 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 2013 are compared below. The Employer Reserve Accounts as at 31 December 2013 are also set out below.

Employer Code	Share Account as at 31 December 2013 (N\$)		Difference (%)	Employer Reserve Account (N\$)
	Per financial statements	Estimated based on data		
6	11 024 795	11 024 792	0.0%	240 617
10	1 737 726	1 737 734	0.0%	66 478
12	17 698 795	17 698 797	0.0%	206 066
14	11 012 129	11 012 134	0.0%	187 762
22	10 454	0		124 305
23	40 901 930	40 901 821	0.0%	1 949 121
34	37 025 905	37 025 942	0.0%	360 936
36	17 453 808	17 453 807	0.0%	118 540
39	20 675 318	20 675 107	0.0%	422 360
41	2 125 531	2 125 534	0.0%	11 344
43	9 909 511	9 909 511	0.0%	756 696
44	28 125 228	28 125 230	0.0%	707 381
49	39 071 619	39 071 623	0.0%	960 188
51	721 781	721 779	0.0%	45 585
52	0	0	0.0%	25 953
53	6 819 810	6 819 809	0.0%	106 954
54	21 614 095	21 614 048	0.0%	903 045
56	2 010 374	2 010 374	0.0%	114 094
57	18 407 505	18 407 504	0.0%	- 5 489
62	6 952 565	6 952 561	0.0%	209 234
63	16 749 519	16 749 519	0.0%	77 677
65	4 766 123	4 766 121	0.0%	- 16 056
66	7 080 934	7 080 929	0.0%	- 7 758
67	30 532 965	30 532 955	0.0%	- 7 778
69	22 881 077	22 881 078	0.0%	- 26 387
70	15 574 027	15 574 021	0.0%	559 584
74	15 757 601	15 757 634	0.0%	491 037
75	16 055 619	16 055 158	0.0%	591 435
99	12 671 002	12 671 003	0.0%	288 382
100	3 520 877	3 520 876	0.0%	19 615
103	3 104 282	3 104 283	0.0%	- 1 225
104	5 773 596	5 773 595	0.0%	3 848
105	33 247 228	33 247 229	0.0%	789 257
106	25 080 952	25 080 989	0.0%	403 969
107	12 480 595	12 480 593	0.0%	223 427
108	17 754 510	17 754 510	0.0%	10 628

Employer Code	Share Account as at 31 December 2013 (N\$)		Difference (%)	Employer Reserve Account (N\$)
	Per financial statements	Estimated based on data		
109	8 082 141	8 082 140	0.0%	- 71 397
110	44 337 249	44 337 235	0.0%	390 727
111	2 420 019	2 420 019	0.0%	25 128
114	16 320 545	16 320 147	0.0%	- 74 263
115	22 039 345	22 039 343	0.0%	93 919
116	13 203 149	13 203 154	0.0%	18 978
117	19 300 134	19 300 129	0.0%	26 120
118	701 281	701 281	0.0%	- 1 791
119	8 876 312	8 876 312	0.0%	84 515
120	11 864 317	11 864 318	0.0%	- 20 608
121	48 508 315	48 508 311	0.0%	1 211 616
122	21 411 807	21 411 807	0.0%	243 125
125	9 390 294	9 390 294	0.0%	370
127	18 489 039	18 489 037	0.0%	50 083
128	66 633 082	66 633 082	0.0%	0
129	4 923 289	4 923 289	0.0%	- 17 364
135	5 232 401	5 232 399	0.0%	13 871
137	1 866 410	1 866 409	0.0%	- 45 406
138	9 497 769	9 497 769	0.0%	13 420
139	39 664 523	39 664 523	0.0%	39 137
140	18 643 782	18 643 785	0.0%	31 067
142	<u>988 564</u>	<u>988 564</u>	<u>0.0%</u>	<u>- 11 018</u>
Total	928 723 553	928 711 950	0.0%	12 911 054

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	
Females						
15 - 19	6	12 357	2 059	336 488	56 081	0.78
20 - 24	260	3 349 833	12 884	18 185 137	69 943	1.74
25 - 29	517	15 285 607	29 566	51 163 710	98 963	2.78
30 - 34	595	32 798 675	55 124	66 385 856	111 573	3.29
35 - 39	516	43 547 093	84 394	60 368 733	116 994	4.66
40 - 44	410	50 637 152	123 505	56 017 218	136 627	5.88
45 - 49	302	57 452 875	190 241	43 861 762	145 238	5.87
50 - 54	246	63 702 506	258 953	39 509 787	160 609	7.21
55 - 59	110	41 065 964	373 327	22 793 978	207 218	7.79
> 60	<u>37</u>	<u>22 945 941</u>	<u>620 161</u>	<u>8 340 401</u>	<u>225 416</u>	<u>5.20</u>
Total	2 999	330 798 001	110 303	366 963 070	122 362	4.42
Males						
15 - 19	6	16 478	2 746	189 000	31 500	1.30
20 - 24	294	2 419 263	8 229	14 381 577	48 917	2.18
25 - 29	690	19 170 734	27 784	59 546 733	86 300	3.56
30 - 34	901	47 641 615	52 876	102 040 234	113 252	4.08
35 - 39	784	70 885 216	90 415	106 361 610	135 665	5.00
40 - 44	582	87 442 988	150 246	75 531 285	129 779	5.76
45 - 49	451	89 413 364	198 256	75 129 111	166 583	6.09
50 - 54	301	110 476 869	367 033	61 869 565	205 547	5.49
55 - 59	159	99 260 242	624 278	36 185 428	227 581	6.34
> 60	<u>61</u>	<u>71 187 180</u>	<u>1 167 003</u>	<u>21 754 133</u>	<u>356 625</u>	<u>5.11</u>
Total	4 229	597 913 949	141 384	552 988 677	130 761	4.67
TOTAL	7 228	928 711 950	128 488	919 951 747	127 276	4.57

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 2013:

	31 December 2013 (N\$)		Difference (%)
	Financial statements	Data	
Members' Share Account	266 072 392	266 072 393	0.0%
Pensioners' Living Annuity Account	<u>125 652 373</u>	<u>125 627 876</u>	<u>0.0%</u>
Total	391 724 765	391 700 269	0.0%

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

Age band	Number	Shares (N\$)	
		Total	Average
25 - 29	10	746 613	74 661
30 - 34	23	3 189 798	138 687
35 - 39	27	9 636 936	356 924
40 - 44	56	23 795 314	424 916
45 - 49	70	46 247 901	660 684
50 - 54	60	61 228 782	1 020 480
55 - 59	37	40 815 665	1 103 126
60 - 64	16	36 535 181	2 283 449
65 - 69	<u>7</u>	<u>43 876 204</u>	<u>6 268 029</u>
Total	306	266 072 393	869 518

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

Age band	Number	Shares (N\$)	
		Total	Average
55 - 59	19	24 562 904	1 292 784
60 - 64	35	53 796 509	1 537 043
65 - 69	21	26 137 445	1 244 640
70 - 74	7	13 818 146	1 974 021
75 - 79	<u>2</u>	<u>7 312 871</u>	<u>3 656 436</u>
Total	84	125 627 876	1 495 570

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, the Combined Allan Gray / Investec 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 with one notable exception.
- A3.5. The NAM Coronation Capital Plus Fund has excess assets of 8%. This is due to an incorrect investment made during the valuation period in respect of a member belonging to participating employer 121. The administrator picked this up in January 2014 and made the necessary correction to the investment portfolios.

Table A

Investment portfolio	N\$						%
	Participating employer		Ind. member / pensioner		Total		Assets / Liabilities
	Asset	Liability	Asset	Liability	Assets	Liabilities	
Allan Gray Investment Trust	240 657 423	240 246 599	182 739 869	182 768 264	423 397 293	423 014 864	100%
Bank Windhoek: Cash	3 118 747	3 644 683	24 714 468	24 704 129	27 833 215	28 348 812	98%
Default Portfolio:	437 883 219	438 963 411	0	0	437 883 219	438 963 411	100%
- Allan Gray NIT	223 727 770	224 279 673	0	0	223 727 770	224 279 673	100%
- Prudential Infl+	214 155 449	214 683 738	0	0	214 155 449	214 683 738	100%
EMH Prescient Balanced Quant	0	0	2 091 339	2 090 574	2 091 339	2 090 574	100%
Investec Managed Fund	84 417 834	87 370 577	29 409 097	29 409 089	113 826 931	116 779 665	97%
Investec / AG Combined:	131 537 531	132 928 182	3 572 517	3 572 515	131 537 531	132 928 182	99%
- Allan Gray NIT	68 327 921	69 050 303	0	0	68 327 921	69 050 303	99%
- Investec Managed	63 209 609	63 877 879	0	0	63 209 609	63 877 879	99%
IS-AF Namibia Balanced Growth	94 878	94 059	1 505 884	1 505 882	1 600 762	1 599 941	100%
NAM Cor Balanced Defensive	1 361 213	1 388 793	3 198 167	3 175 408	4 559 380	4 564 201	100%
NAM Cor Capital Plus	5 137 194	4 511 573	3 572 517	3 572 515	8 709 711	8 084 087	108%
OM Namibia Profile Pinnacle	0	0	11 835 090	11 834 499	11 835 090	11 834 499	100%
Prud Inflation Plus Portfolio	30 518 980	29 674 906	118 882 410	118 883 993	149 401 390	148 558 899	101%
Prud Namibia Balanced Fund	73 573	71 506	3 298 873	3 298 874	3 372 446	3 370 379	100%
Sanlam Active Fund	151 349	149 788	1 850 191	1 850 201	2 001 540	1 999 989	100%
Sanlam Balanced Fund	0	0	1 333 810	1 332 976	1 333 810	1 332 976	100%
Standard Bank Managed Fund	1 586 023	1 580 540	5 149 510	5 149 510	6 735 533	6 730 051	100%
Housing loans	1 009 992	1 009 992	2 148 849	2 148 849	3 158 841	3 158 841	100%
Net current assets	0	0	0	0	53 011 108	48 144 716	110%
General Reserve Account	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4 080 605</u>	<u>4 865 654</u>	84%
Total	937 547 955	941 634 608	395 302 591	395 297 278	1 386 369 742	1 386 369 742	

APPENDIX 4: MEMBERSHIP RECONCILIATION

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

Participating Employers

Employer Code	Active 31.12.2012	New members	Exits	Active 31.12.2013
6	128	33	- 30	131
10	19	6	- 7	18
12	65	14	- 2	77
14	38	13	- 11	40
22	15	0	- 15	0
23	358	66	- 38	386
34	462	102	- 25	539
36	51	7	- 5	53
39	64	11	- 9	66
41	36	6	- 7	35
43	160	41	- 38	163
44	141	49	- 29	161
49	196	38	- 28	206
51	17	7	- 3	21
52	4	0	- 4	0
53	134	40	- 37	137
54	120	26	- 20	126
56	15	8	- 3	20
57	168	46	- 53	161
62	57	32	- 14	75
63	41	10	- 6	45
65	30	9	- 3	36
66	77	18	- 15	80
67	61	18	- 12	67
69	84	25	- 12	97
70	65	2	- 5	62
74	454	141	- 132	463
75	84	30	- 18	96
99	134	1	- 90	45
100	30	3	- 2	31
103	21	10	- 3	28
104	81	13	- 8	86
105	46	9	- 5	50
106	324	87	- 107	304
107	328	82	- 42	368
108	26	4	- 2	28
109	18	4	- 2	20
110	370	47	- 33	384
111	22	5	- 5	22
114	256	40	- 9	287
115	109	5	- 29	85
116	95	39	- 23	111
117	127	34	- 34	127

Employer Code	Active 31.12.2012	New members	Exits	Active 31.12.2013
118	20	11	- 7	24
119	31	2	- 10	23
120	117	38	- 27	128
121	145	30	- 31	144
122	79	18	- 15	82
125	492	158	- 111	539
127	69	11	- 18	62
128	200	132	- 38	294
129	9	7	- 1	15
135	102	35	- 20	117
137	21	9	- 1	29
138	0	72	- 12	60
139	0	98	- 4	94
140	0	244	- 15	229
142	<u>0</u>	<u>55</u>	<u>- 4</u>	<u>51</u>
Total	6 416	2 101	- 1 289	7 228

Individual members and pensioners

Type	Active 31.12.2012	New member	New retiree	Death	Withdrawal	Active 31.12.2013
Members	262	72	0	0	- 28	306
Pensioners	77	8	0	- 1	0	84