



**BENCHMARK RETIREMENT FUND  
SUMMARY OF THE 31 DECEMBER 2007  
ACTUARIAL INVESTIGATION**

**Introduction**

1. We have been asked by the Trustees to carry out an investigation of the workings of the Benchmark Retirement Fund for the year ending 31 December 2007.
2. This letter summarises our investigation.

**Purpose of the investigation**

3. The purpose of this investigation is to determine whether:
  - 3.1 The Fund is administered in terms of the general rules and, where applicable, the special rules;
  - 3.2 All accounts established by the rules are maintained correctly;
  - 3.3 The investment portfolios held by the Fund are matched to the Fund's liabilities as at the investigation date;
  - 3.4 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;
  - 3.5 Ad-hoc expenses are allowed for and are allocated on an equitable basis;
  - 3.6 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; and
  - 3.7 The Fund complies with legislation and service level agreements.

**Financially significant changes during the valuation period**

4. There were no amendments to the general rules governing the Fund.
5. 5 new participating employers joined the Fund during the valuation period. Special rules were registered in respect of these new participating employers. 1 participating employer left the Fund during the valuation period due to the participating employer no longer operating.



6. Up to 30 June 2007, the default investment portfolio for participating employers was invested 100% in the Metropolitan Absolute Return Fund. With effect from 1 July 2007, 50% of the default portfolio is invested in the Metropolitan Absolute Return Fund and the remaining 50% is invested in the Prudential Inflation Plus Portfolio.

### **Investigation information**

7. The Fund is administered by Retirement Fund Solutions (Pty) Ltd who supplied us with the information and data set out below.
8. The following documents were examined:
  - 8.1 The general rules of the Benchmark Retirement Fund and the special rules of each participating employer of the Fund;
  - 8.2 The Service Level Agreement between the Benchmark Retirement Fund and Retirement Fund Solutions Namibia (Proprietary) Limited (the administrator);
  - 8.3 The Fund's audited financial statements for the year ending 31 December 2007;
  - 8.4 The actuarial investigation report on the Fund as at 31 December 2006;
  - 8.5 Investment statements from the Fund's investment managers for each of the Fund's investment portfolios for the year ending 31 December 2007; and
  - 8.6 The individual member application forms for 3 randomly selected individual members of the Fund
9. The following data was examined:
  - 9.1 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 investigation date;
  - 9.2 A record of each individual member's and pensioner's Share and the underlying investment portfolios;
  - 9.3 A spreadsheet setting out the investments allocated to each participating employer as at the investigation date;
  - 9.4 In respect of each participating employer, a summary of the contribution allocation to retirement and risk benefits and administration expenses; and
  - 9.5 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**

10. 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*

11. Members may participate in the Fund in one of 2 ways:
  - 11.1 As an employee of a participating employer; or
  - 11.2 As an individual member.
12. 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.
13. The sum of the members' Shares constitutes the members' Share Account.
14. Benefits and transfer values payable in respect of members are paid from the capital accumulated in the member's Share. Any balance remaining in respect of exiting members employed by participating employers is transferred to the Employer Reserve Account as unallocated surplus.

#### *Living Annuity Account*

15. 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.
16. Benefits and transfer values payable in respect of pensioners are paid from the capital accumulated in the Living Annuity Account.

#### *Employer Reserve Account*

17. 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.

#### *General Reserve Account*

18. The General Reserve Account represents all residual monies in the Fund that are not allocated to a particular member, participating employer or pensioner.
19. The Fund's assets and accounts (liabilities) as at 31 December 2007 are set out below:

	N\$
Market value of assets	317 859 540
Individual Member Share Account	134 846 676
Participating Employer Member Share Account	139 196 898
Living Annuity Account	32 813 483
Employer Reserve Account	9 860 574
General Reserve Account	<u>1 141 909</u>
Total liabilities and reserves	317 859 540



### Summary of findings

20. We have carried out an investigation of the Benchmark Retirement Fund as at 31 December 2007.
21. We are satisfied that the data and supporting information provided to us is appropriate for the purposes of the investigation.
22. Based on our investigation, we confirm the following:
  - 22.1 The Fund is administered in terms of the general rules of the Fund and the special rules of the participating employers;
  - 22.2 The Share Account, Living Annuity Account, Employer Reserve Account and the General Reserve Account established by the rules are maintained correctly;
  - 22.3 The investments of the Fund are matched to the Fund's liabilities;
  - 22.4 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;
  - 22.5 Ad-hoc expenses are paid for from the General Reserve Account; and
  - 22.6 The Fund complies with legislation and service level agreements.
23. We wish to thank the administrator for their assistance in supplying us with the relevant information and assisting us with our queries.

---

**COLIN HENDRIKS (FIA)**  
**ACTUARY**  
In my capacity as an employee of  
**Arthur Els & Associates (Pty) Ltd**

27 November 2008



## APPENDICES

### APPENDIX 1: PARTICIPATING EMPLOYERS

- A1.1. In order to confirm each participating employers' Share Account, we first estimated each individual member's Share 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 the investigation date.
- 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 2007 are compared below.

Employer Code	Share Account as at 31 December 2007 (N\$)		Difference (%)
	Per financial statements	Estimated based on data	
6	3 610 816	3 610 814	0.0%
10	3 895 241	3 895 241	0.0%
12	5 555 933	5 555 938	0.0%
14	5 552 344	5 552 349	0.0%
22	813 872	813 875	0.0%
23	12 783 074	12 783 076	0.0%
34	11 739 120	11 739 124	0.0%
36	3 746 005	3 746 002	0.0%
39	17 995 146	17 994 940	0.0%
41	510 223	510 223	0.0%
43	7 586 221	7 586 221	0.0%
44	12 667 698	12 667 700	0.0%
48	1 579 796	1 579 823	0.0%
49	20 858 531	20 858 532	0.0%
51	134 454	134 453	0.0%
52	502 198	502 198	0.0%
53	1 607 666	1 607 666	0.0%
54	18 118 218	18 118 230	0.0%
55	104 866	104 866	0.0%
56	3 071 914	3 071 914	0.0%
57	6 031 149	6 031 149	0.0%
62	133 859	133 859	0.0%
63	146 330	146 330	0.0%
65	135 509	135 509	0.0%
66	177 391	177 390	0.0%
67	<u>139 324</u>	<u>139 324</u>	<u>0.0%</u>
Total	139 196 898	139 196 746	0.0%



## 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 liability values shown in the data. The values tied up exactly.
- A2.3. The following table compares the individual members' Shares and the pensioners' Living Annuity Account as per the data with the figures shown in the financial statements as at 31 December 2007:

	31 December 2007 (N\$)		Difference (%)
	Financial statements	Data	
Members' Share Account	134 846 676	134 846 720	0.0%
Pensioners' Living Annuity Account	<u>32 813 483</u>	<u>32 813 483</u>	<u>0.0%</u>
Total	167 660 159	167 660 203	0.0%



### 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.



Investment portfolio	N\$						%	
	Participating employer		Ind. member / pensioner		Working capital	Total		Assets / Liabilities
	Asset	Liability	Asset	Liability		Assets	Liabilities	
Allan Gray u.t.	45 395 391	44 760 357	70 101 241	70 104 466	308 287	115 804 919	114 864 823	101%
Investec b.f.	0	0	8 043 406	8 040 048	57 691	8 101 097	8 040 048	101%
Prudential u.t. <sup>1</sup>	51 719 803	52 104 254	43 395 834	43 401 755	82 286	95 197 923	95 506 008	100%
Metropolitan ARF <sup>1</sup>	51 774 608	52 104 254	6 958 489	6 958 455	819 426	59 552 522	59 062 708	101%
Old Mutual b.f.	0	0	20 278 316	20 277 643	89 498	20 367 814	20 277 643	100%
Sanlam b.f.	0	0	1 783 166	1 783 240	14 162	1 797 327	1 783 240	101%
Sanlam m.m.	12 679	0	5 665 038	5 664 814	33 742	5 711 459	5 664 814	101%
Stanlib u.t.	0	0	1 527 647	1 527 709	14 003	1 541 650	1 527 709	101%
Investec High Income	0	0	1 007 871	1 007 862	4 374	1 012 245	1 007 862	100%
Investment Solutions	0	0	7 592 243	7 592 479	14 293	7 606 536	7 592 479	100%
Housing loans	88 609	88 609	1 301 688	1 301 688	0	1 390 297	1 390 297	100%
Section 14's due	0	0	0	0	0	0	0	
Net current assets	0	0	0	0	0	11 798 825	12 023 074	98%
Fund Reserve Account	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1 141 909</u>	
Total	148 991 090	149 057 472	167 654 939	167 660 158	1 437 761	329 882 614	329 882 614	

1. The bulk of 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 31.12.2006	New members	Exits	Active 31.12.2007
6	55	20	- 10	65
10	22	5	- 6	21
12	48	12	- 3	57
14	28	6	- 5	29
22	23	9	- 5	27
23	234	75	- 46	263
34	380	100	- 22	458
36	24	10	- 6	28
39	69	21	- 10	80
41	24	19	- 7	36
43	117	40	- 27	130
44	100	26	- 17	109
48	11	3	0	14
49	131	45	- 19	157
51	12	7	- 5	14
52	13	2	- 1	14
53	49	14	- 10	53
54	96	29	- 14	111
55	20	6	- 14	12
56	23	16	- 8	31
57	81	29	- 21	89
58	46	2	- 48	0
62	0	34	- 2	32
63	0	38	0	38
65	0	19	- 2	17
66	0	50	- 5	45
67	<u>0</u>	<u>30</u>	<u>0</u>	<u>30</u>
Total	1 606	667	- 313	1 960



*Individual members and pensioners*

Type	Active 31.12.2006	New members	New retirees	Exits	Active 31.12.2007
Members	194	150	- 2	- 70	272
Pensioner	15	9	2	0	26