

**BENCHMARK RETIREMENT FUND  
SUMMARY OF THE 31 DECEMBER 2008  
STATUTORY ACTUARIAL VALUATION**

**Introduction**

1. We have been asked by the Trustees to carry out a statutory actuarial valuation of the Benchmark Retirement Fund for the year ending 31 December 2008.
2. This letter summarises the valuation findings and results which cover the year to 31 December 2008.
3. The valuation report has been submitted to Namfisa by the Fund.

**Purpose of the valuation**

4. The purpose of this valuation is to determine whether:
  - 4.1 The Fund is administered in terms of its rules;
  - 4.2 All accounts established by the rules are maintained correctly;
  - 4.3 The investment portfolios held by the Fund match its liabilities;
  - 4.4 All expense deductions are made in terms of the Fund's rules, 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 voluntarily 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. There were no amendments to the general rules governing the Fund.
6. 6 new participating employers joined the Fund during the valuation period. No participating employer left the Fund during the valuation period.
7. With effect from 1 January 2008, the Fund charged an additional asset levy of 0.1% per annum (recoverable monthly) in order to provide for the increased cost of financial reporting and professional expenses.

### Investments during the valuation period

8. Participating employers, individual members and pensioners can elect to invest their Shares and Employer Reserve Accounts in a range of investment portfolios.
9. The 11 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 fees and levies)</b>	
<b>Investment portfolio</b>	<b>Year ending 31 December 2008</b>
Allan Gray Investment Trust	3.45%
Investec Managed Fund	-13.69%
Prudential Inflation Plus Portfolio	-0.40%
Metropolitan Absolute Return Fund	-2.72%
Old Mutual Profile Balanced	-11.85%
Sanlam Balanced Portfolio	-13.45%
Sanlam Cash Portfolio	11.94%
Stanlib Managed Fund	-8.64%
Investec High Income Fund	12.19%
Investment Solutions Focused Growth	-11.24%
Default portfolio <sup>1</sup>	-1.56%

1. The Default Portfolio is determined by the Fund's Trustees and is currently made up of an approximately equal weighting of the Metropolitan Absolute Return Fund and the Prudential Inflation Plus Portfolio
10. Depending on the levies and fees applicable, the net investment return could be between 0.1% and 1.6% lower than what is set out in above table.

### Valuation information

11. The Fund is administered by Retirement Fund Solutions (Pty) Ltd who supplied us with the information and data set out below.
12. The following documents were examined:
  - 12.1 The general rules of the Benchmark Retirement Fund and the special rules of each participating employer of the Fund;
  - 12.2 The service level agreement between the Benchmark Retirement Fund and Retirement Fund Solutions Namibia (Proprietary) Limited;
  - 12.3 The Fund's 31 December 2008 audited financial statements;
  - 12.4 The actuarial investigation report on the Fund as at 31 December 2007; and
  - 12.5 The individual member application forms for 3 randomly selected individual members of the Fund.

13. The following data was examined:
  - 13.1 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 valuation date;
  - 13.2 A record of each individual member's and pensioner's Share and the underlying investment portfolios;
  - 13.3 A spreadsheet setting out the investments allocated to each participating employer as at the valuation date;
  - 13.4 In respect of each participating employer, a summary of the contribution allocation to retirement and risk benefits and administration expenses; and
  - 13.5 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**

14. 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*

15. Members may participate in the Fund in one of 2 ways:
  - 15.1 As an employee of a participating employer; or
  - 15.2 As an individual member.
16. 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.
17. The sum of the members' Shares constitutes the members' Share Account.
18. 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*

19. 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.
20. Benefits and transfer values payable in respect of pensioners are paid from the capital accumulated in the Living Annuity Account.

### *Employer Reserve Account*

21. 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.
22. The Employer Reserve Account can be utilised to meet the cost of benefits or to enhance member's Shares.

### *General Reserve Account*

23. The General Reserve Account represents all residual monies in the Fund that are not allocated to a particular member, participating employer or pensioner.
24. The Fund's assets and accounts (liabilities) as at 31 December 2008 and 31 December 2007 are set out below:

	N\$	
	31 Dec 2008	31 Dec 2007
Market value of assets	362 603 572	317 859 540
Individual Member Share Account	143 686 060	134 846 676
Participating Employer Member Share Account <sup>1</sup>	165 387 274	139 196 898
Living Annuity Account	38 197 028	32 813 483
Employer Reserve Account <sup>1</sup>	12 735 793	9 860 574
General Reserve Account	<u>2 597 417</u>	<u>1 141 909</u>
Total liabilities and reserves	362 603 572	317 859 540

1. The audited financial statements show a participating employer Share Account of N\$165 609 167 and an Employer Reserve Account of N\$12 513 900. The financial statements incorrectly include an amount of N\$221 893 in the Share Account that should in fact form part of the Employer Reserve Account for participating employer 36.

### **Summary of findings**

25. We have carried out a statutory actuarial valuation of the Benchmark Retirement Fund as at 31 December 2008.
26. We are satisfied that the data and supporting information provided to us is appropriate for the purposes of the valuation.
27. Based on our valuation, we confirm the following:
  - 27.1 The Fund is administered in terms of the general rules of the Fund and the special rules of the participating employers;
  - 27.2 The Share Account, Living Annuity Account, Employer Reserve Account and the General Reserve Account established by the rules are maintained correctly;
  - 27.3 Other than the minor exceptions raised in paragraph A3.5 in Appendix 3, the investments of the Fund are well matched to the Fund's liabilities;

- 27.4 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;
- 27.5 Ad-hoc expenses are paid for from the General Reserve Account and the General Reserve Account balance of 0.72% of the Fund's assets is reasonable; and
- 27.6 The Fund complies with legislation and service level agreements.
28. The Fund is in a financial sound position as at the valuation date.



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**COLIN HENDRIKS (FIA)**

**ACTUARY**

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

**7 December 2009**

## 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 the valuation 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 2008 are compared below.

Employer Code	Share Account as at 31 December 2008 (N\$)		Difference (%)
	Per financial statements	Estimated based on data	
6	3 741 776	3 741 761	0.0%
10	4 193 291	4 193 284	0.0%
12	5 990 043	5 990 038	0.0%
14	5 783 957	5 783 962	0.0%
22	688 803	688 808	0.0%
23	13 771 584	13 771 650	0.0%
34	15 052 206	15 071 037	-0.1%
36	5 911 596	5 691 467	3.9%
39	10 595 413	10 595 203	0.0%
41	650 301	650 301	0.0%
43	7 506 770	7 506 770	0.0%
44	12 415 298	12 415 301	0.0%
48	1 727 996	1 727 995	0.0%
49	20 204 862	20 204 863	0.0%
51	192 421	192 420	0.0%
52	717 281	716 902	0.1%
53	1 914 594	1 914 593	0.0%
54	17 114 258	17 114 261	0.0%
55	137 774	137 774	0.0%
56	1 443 040	1 443 040	0.0%
57	6 474 018	6 474 017	0.0%
62	4 554 276	4 554 276	0.0%
63	7 177 377	7 177 377	0.0%
65	450 940	450 939	0.0%
66	2 242 463	2 242 459	0.0%
67	10 161 217	10 161 216	0.0%
69	1 339 624	1 339 624	0.0%
70	984 817	984 817	0.0%
74	1 258 054	1 258 056	0.0%
75	652 463	652 463	0.0%
99	496 363	496 363	0.0%
100	<u>64 291</u>	<u>64 291</u>	<u>0.0%</u>
Total	165 609 167	165 407 329	0.1%

- A1.3. The Share Account for participating employer 36 differs significantly from the audited financial statements for the reason outlined in the note in paragraph 24.
- A1.4. Based on the results set out in the table above, 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 exactly.
- 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 2008:

	31 December 2008 (N\$)		Difference (%)
	Financial statements	Data	
Members' Share Account	143 686 060	143 660 020	0.0%
Pensioners' Living Annuity Account	<u>38 197 028</u>	<u>38 197 028</u>	<u>0.0%</u>
Total	181 883 088	181 857 048	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. Table A below shows the participating employer and individual member and pensioner asset and liability split between the investment portfolios.
- A3.5. Table A shows that there is a slight under-allocation to the Old Mutual Balanced Fund and the Prudential Inflation Plus portfolios as at the valuation dates. The Fund's administrator has taken steps to correct this.

**Table A**

Investment portfolio	N\$							%
	Participating employer		Ind. member / pensioner		"Investable"	Total		Assets / Liabilities
	Asset	Liability	Asset	Liability		Assets	Liabilities	
Allan Gray I.T.	72 028 494	71 697 278	77 176 165	76 141 947	- 860 067	148 344 592	147 839 224	100%
Investec M.F.	0	0	6 624 294	6 577 773	0	6 624 294	6 577 773	101%
Prudential Inflation Plus P. <sup>1</sup>	50 640 689	51 206 802	47 346 411	47 623 132	163 605	98 150 705	98 829 934	99%
Metropolitan ARF <sup>1</sup>	48 335 311	49 047 516	7 952 890	7 234 904	163 605	56 451 806	56 282 420	100%
Old Mutual B.F.	270 172	331 954	11 856 265	12 271 408	58 699	12 185 135	12 603 362	97%
Sanlam B.P.	0	0	660 604	658 342	0	660 604	658 342	100%
Sanlam Cash P.	3 344 222	4 052 650	26 205 099	24 918 071	338 191	29 887 511	28 970 721	103%
Stanlib M.F.	0	0	852 316	847 794	0	852 316	847 794	101%
Investec High Income F.	0	0	1 872 051	1 857 461	0	1 872 051	1 857 461	101%
Investment Solutions F.G.	1 217 060	1 353 027	2 530 049	2 515 712	135 967	3 883 076	3 868 739	100%
Housing loans	433 840	433 840	1 236 544	1 236 544	0	1 670 384	1 670 384	100%
Net current assets	0	0	0	0	0	25 429 241	23 408 145	109%
General Reserve Account	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2 597 417</u>	
Total	176 269 788	178 123 066	184 312 687	181 883 088	0	386 011 716	386 011 716	

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 31.12.2007	New members	Exits	Active 31.12.2008
6	65	21	- 19	67
10	21	6	- 7	20
12	57	9	- 7	59
14	29	16	- 12	33
22	27	3	- 12	18
23	263	82	- 45	300
34	458	41	- 24	475
36	28	16	- 3	41
39	80	27	- 22	85
41	36	18	- 7	47
43	130	27	- 23	134
44	109	36	- 27	118
48	14	0	0	14
49	157	38	- 22	173
51	14	2	- 5	11
52	14	1	- 3	12
53	53	47	- 15	85
54	111	69	- 20	160
55	12	8	- 9	11
56	31	3	- 27	7
57	89	13	- 14	88
58	0	0	0	0
62	32	36	- 15	53
63	38	1	- 1	38
65	17	5	- 3	19
66	45	31	- 18	58
67	30	19	- 5	44
69	0	62	- 10	52
70	0	65	- 8	57
74	0	538	- 40	498
75	0	79	- 5	74
99	0	129	- 3	126
100	<u>0</u>	<u>34</u>	<u>- 4</u>	<u>30</u>
Total	1 960	1 482	- 435	3 007

*Individual members and pensioners*

Type	Active 31.12.2007	New members	New retirees	Exits	Active 31.12.2008
Members	272	123	- 5	- 85	305
Pensioner	26	4	5	0	35