RFIN NEWSLETTER

RETIREMENT FUNDS INSTITUTE OF NAMIBIA

Namibia landscape photo

Welcome to the Retirement Funds Institute of Namibia (RFIN) 2nd Newsletter for 2015

In this edition RFIN brings you an update as well as information on what is happening in the pension funds industry.

In 2015, a lot is expected to change in the reform of the pension funds industry. The first quarter of the year was characterized by the implementation of new reporting requirements for the retirement industry effective the beginning of the year, using the NAMFISA Electronic Reporting System (ERS). The move has been received with mixed feelings and challenges which has been communicated to the regulator. The regulator considered to suspend submissions of quarterly returns on ERS for the reminder of the quarters of 2015 while the concerns raised are being addressed.

Pension funds are however still expected to submit quarterly Statement of Investment Holdings (SIH) for the quarter ended 30 June 2015 on or before 31 July 2015. Pension funds can apply for extension for submission under exceptional circumstances, failure thereto administrative penalties of N$ 500 for each day of default would apply.

Secondly, NAMFISA has to date registered eleven (11) Unlisted Investment Managers (UIMs) and ten (10) Special Purpose Vehicles (SPVs) while still considering other submitted applications. In terms of regulation 28 (4) Pension funds are required to invest in unlisted investments through the registered entities.

The industry has engaged with NAMFISA on the compliance timing and as a result, NAMFISA after obtaining permission of the Minister of Finance granted the extension for compliance with regulation 28 (4) to 30 September 2015.

On 22 July 2015, RFIN held an information sharing session in Windhoek, to prompt the discussion on mobilizing savings for economic development. The rationale of Regulation 28 and 29 was also discussed.

It was confirmed that Namibia is following international trends in its strategy to invest in unlisted investment . The big question that players had to ponder is the capacity and adequacy of skills and projects. Pension Funds trustees are tasked to find a home for investments exercising skills, due diligence and competency in identifying good businesses while safeguarding the fund interests. The industry still needs to consider the following:

- ⇒ What is the impact of Regulation 28 and 29 to the GDP and how does it compare to international trends?
- ⇒ Can we induce workers into saving when they would prefer to be spending?
- ⇒ How attractive is the tax regime in respect of maximum rate, employees can contribute and deduct for tax purposes?
- ⇒ How do we compare to South Africa?
- ⇒ How do participants choose their contribution rates.

In terms of the discussion the questions posed have an effect on the efficient implementation of regulation 28 and 29.

RFIN will discuss with the industry further and provide information in the future.

To Protect, Promote and Advance your Interest!

RFIN ACTIVITES April—July

1. ***RFIN Governance and staff movement***

Board

We welcome Ms. Justine Shipanga from Retirement Funds Solutions and Mr. Dietrich Schrywer from Alexander Forbes Financial Services for being elected to the RFIN board on 10 June 2015 for a three year term. Ms. Sepo Lamaswala-Haihambo resigned from the Board effective 18 September 2014, we will miss her results orientated leadership, and wish her the best in her responsibilities. Mr. Elvis Nashilongo's term has ended on 10 June 2015 and his contribution during his tenure was very valuable in taking the Institute forward.

Staff

Ms. Maria Anne Mary Nande has been appointed as an administrator effective 01 May 2015 in a full time capacity. We would like to congratulate her for the achievement and look forward to her unwavering dedication in supporting the functioning of the office.

2. Annual General Meeting

The annual general meeting was held on 10 June 2015. The meeting was attended by paid up members after a formal notice as per the constitution. The 2014 Directors' report was presented at the meeting. Two directors were elected to the RFIN board.

The meeting noted the 2014 financial statements and the budget for 2015. A motion about proposed actions against NAMFISA decisions was discussed, RFIN implemented the activities to make progress on the issues discussed and provided feedback to the industry.

3. Stakeholders engagement

RFIN held a meeting with NAMFISA 22 June 2015. As part of the agenda the discussion was centered around updates on the FIM Bill, Regulations and Standards, Risk based Supervision, Registration of SPV's. The meeting in addition highlighted issues in inspections of pension funds and quarterly reporting standards. Additionally information was communicated with regard to the application for foreign investment on behalf of Pension Funds and the reporting requirement of Pension Funds by International Monetary Fund (IMF). The following new matters were discussed: Unlisted Investments and Unit Trusts, Submission of quarterly returns, Foreign Account Tax Compliance Act (FATCA) and Amendments for Regulations 28 & 29.

RFIN issued a report dated 30 June 2015 in relation to the engagement.

The next engagement with NAMFISA is scheduled for 18 November 2015. The industry is encouraged to submit agenda points.

4. ***Information Sharing Session*** was held on 22 July 2015 under the theme "**Are Pension Funds Savings Adequate to Contribute to Namibia Economic Growth?"**

The information shared was on the following topics:

- How much are we saving?
- What is enough?
- What heuristics or biases are at play?
- Pension Fund Flow Overview;
- Do Pension Funds Invest in Unlisted Investments (International Experience)?
- Are Pension Fund Savings adequate to contribute to Namibia economy growth?
- Impact of Amended Reg 28 and 29.

The presenters were Mr. Leonard Kamwi from NCCI and Mr. Ben Bertolini from Prudential Investment Managers with fourty participants in attendance.

5. RFIN Member Award winning in South Africa

The Government Institutions Pension Funds (GIPF) scooped four awards in the best industry practices competition for large funds category. The award was given to GIPF on 06 July 2015 in Cape Town by Institute of Retirement Funds Africa during its 28th Annual Conference.

RFIN would like to congratulate GIPF for being the best in stakeholders communication, pensioner's wellbeing, research and biometric pensioner's identification system. Well done!

Upcoming events

6. Trustee training

An announcement will be made to the industry for the upcoming training in the area of investments, hedge funds and derivatives.

7. Annual Conference

This year's conference will be held 01 September 2015 in Windhoek, Namibia. This will be the 9th Annual Conference for Retirement Funds. Included in this newsletter is a call for your participation and presentation.

Reserve the date and please do not miss!!!

File photos: 19 September 2014 Annual Conference. RFIN

To Protect, Promote and Advance your Interest!

ANNOUNCEMENTAND CALL FOR PRESENTIONS

Retirement Funds 9th Annual Conference 2015: “Retirement Funds Searching Keys for Economic Headway”

Venue : Hotel Safari, Windhoek; Namibia

Date : 1st September 2015

Conference Overview

As of this year Retirement Funds are required by law to ensure compliance to regulations which are aimed at growing the Namibian economy. Compliance to the regulations, will result in GDP growth, assist in the creation of employment, develop local skills and assist government in its goal of poverty eradication.

RFIN’s annual retirement fund’s conference is developed in recognition of industry efforts in encouraging pension funds trustees to exercise their fiduciary duties with regard to their members and manage costs in order to protect members’ retirement savings, while at the same time contributing to growth and complying with statutory requirements.

This one-day conference seeks to examine key issues related to identifying sectors and programs into which Retirement Funds can invest, share their experiences and make recommendations for improvement, while taking stock of progress made. The platform also intends to create a forum to discuss how the general welfare of pension funds members can be protected and explores best practices on policies, accountability and transparency, which can lead to enhanced confidence in the sector and advance the economic development and sustainability agenda.

THE 2015 ANNUAL CONFERENCE INVITES PAPERS FROM A RANGE OF DISCIPLINES CLOSE TO THE FOLLOWING THEMES:

- Review Pension Fund Reform in Southern African countries and the world;
- Effective corporate governance issues relating to Pension Funds;
- Choosing and implementing effective ways for stakeholder communication; pensioners wellbeing and fund systems;
- Most critical investment risks that face pension funds and mitigation of those risks;
- Pension Funds Responsible Investments;
- Statutory role and qualifications of Trustees and Principal Officers and how to conduct due diligence for investments ;
- Relationship management and perspective on the oversight role of the regulators and governments;
- Inclusion of the informal sector of the economy in the share for retirement saving;
- Current status on implementation of regulation 28 and 29 and challenges for unlisted investment managers, special purpose vehicles and retirement funds (the perspectives);
- Private equity;
- Pension Funds Complaints;
- Pension Funds clean data.

Sponsorship:

Industry players and stakeholders are humbly requested to sponsor the suggested themes and presenters by contacting our office directly.

Abstracts Submissions:

Abstracts submission of not more than 200 words or one page should be sent to the following address:
The Education and Marketing Committee
RFIN
Attention: Ms. Notburga Mathias
office@rfin.com.na

On or before Friday 14th August 2015

Presenters are requested to deliver the abstracts well in advance of the conference date. Late submissions may be rejected unless prior arrangement has been made.

We trust you enjoyed the reading. Please give us your views at info@rfin.com.na or office@rfin.com.na

ARTICLES :

The biggest threat to your retirement number

In coming up with a good estimate for a retirement number, it's crucial to understand how having a bad market in early retirement can have a huge impact on the viability of your entire long-term retirement strategy. If you don't take this risk into account, it could pose a threat to the accuracy of the retirement number you've spent a lifetime seeking to reach. The idea of coming up with an exact number for how much you need to save for retirement is an attractive one for savers. By drawing a visible finish line for your retirement savings, a retirement number can be the foundation of your financial planning throughout your career.

How a bad market early in retirement can snare you

In coming up with a viable retirement number, the ideal situation is one in which you can weather the worst future conditions the financial markets can throw at you. Much of the time, planning for the worst will leave you in far better shape than you expected, as worst-case scenarios don't occur very often. Yet if you truly want a retirement number that maximizes the probability that your money will outlast you, you can't afford to ignore realistic future scenarios, no matter how improbable they might be.

In doing research on the retirement-number question, many experts have noticed that the most difficult situations retirees face occur when a major market correction occurs soon after a person retires. Even when overall average annual returns over the long run are similar, a retiree who suffers poor performance early in retirement has a much harder time preserving his assets than one who's fortunate enough to avoid bad markets until later on. Indeed, in some cases, even a retiree who has a higher average annual return in retirement still ends up worse off if the worst years come early on.

Experts call this problem sequence-of-return risk, and the problem stems from the fact that retirees need to take withdrawals from their savings in order to cover their living expenses in retirement. In simplest terms, bad performance early in retirement forces you to "sell low" by liquidating investments at fire-sale prices to cover your required withdrawals. If poor initial returns last long enough, then you won't have enough money to enjoy the full benefit of any future rebound in the financial markets.

2 ways to protect against this retirement-number risk
In response to sequence-of-returns risk, financial analysts have come up with conservative rules of thumb such as the well-known 4% rule to help savers build more secure retirement nest eggs.

Full Report: http://www.usatoday.com/story/money/2015/07/24/biggest-threat-your-retirementnumber/30631179/
USA Today
26 July 2015
By Dan Caplinger

The impact fees have on your living annuity returns

For most people, cost is a primary consideration in almost every purchase decision. Except, it seems, when it comes to critical financial decisions, such as buying a savings or investment product. Many South African retirement investors therefore also overlook the fees on their living annuity, or rather, the impact these fees will have on the longevity of their savings.

A living annuity is an investment product that provides you with an income from your retirement savings. Unlike a guaranteed annuity, it gives you the flexibility to choose your income each year (subject to regulatory limits) and how your money is invested. The downside is that you bear the risk of outliving your savings, or that your annual income does not keep pace with inflation. Your annual draw-down rate – the percentage of your investment value that you draw as income – plays a big part in how long your money will last. “All investors who buy a living annuity run the risk of outliving their savings. In this context, one of the three most critical elements they must consider is the fees they will be paying,” says Tracy Jensen,

Product Architect at 10X Investments. Few investors appreciate that their capital is reduced both by their draw-down and by the fees they pay. “To assess the full impact on their capital, investors must add their fee rate and their draw-down rate - both expressed as a percentage of capital. The higher the fees, the sooner the money will run out. Or alternatively, the higher the fees, the lower your draw-down rate will need to be, to sustain a given level of income,” says Jensen.

The average fee on a living annuity is high, at around 2.85% per annum (including VAT) of the investment balance. This comprises an investment management fee of approximately 1.5%, an administration or platform fee of around 0.25%, advice at 0.75% and VAT of 0.35%. The cost is high because most living annuity providers follow an expensive active management approach, they offer unnecessary ‘bells and whistles’ that add to administration costs, and require the involvement of an advisor.

Full Report
http://www.fanews.co.za/article/retirement/1357/annuties/1360/theimpact-fees-have-on-your-living-annuity-returns/18105
FA News
9 June 2015

We trust you enjoyed the reading. Please give us your views at info@rfin.com.na or office@rfin.com.na

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ABOUT RFIN

The Retirement Funds Institute of Namibia 'RFIN' is a non-profit, non-political organisation which represents and promotes the interests of the retirement industry in Namibia. Importantly, this includes representing the retirement industry in negotiations with government authorities (e.g. commenting on legislation affecting retirement funds/pensioners), and as such, RFIN depends on the total support of all parties concerned with the retirement benefit provision industry. Our objectives are to protect, promote and advance the interests of retirement funds, their trustees, members and persons associated with such funds in Namibia; to be recognized as the legitimate representative of the industry; to make RFIN more relevant to its members (giving members value for money); to establish a benchmark for training of Trustees; to elevate the level of the RFIN office; and to broaden the RFIN member base and to ensure proper funding to enable the achievement of goals.

RFIN Board of Directors:
Melki Uupindi (Chairperson); Bonita de Silva (Vice Chairperson,); Neville Field, Gerson V Kamatuka, Yvette Z Aspara; Dietrich Schrywer; Justine Shipanga

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READER'S NOTES