

**RFIN** |

RETIREMENT FUNDS  
INSTITUTE OF NAMIBIA

# REVIEW

ISSUE 04

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DECEMBER

**2022**



**OUR** RETIREMENT  
RESPONSIBILITY

# ED'S CORNER

► SYDWILL SCHOLTZ  
RFIN ACTING ED

## THE YEAR IN REVIEW: THE YEAR THAT WAS 2022

2022 was supposed to see the effective date of the Financial Institutions and Markets Act, being 01 October 2022 but this was postponed by the Minister until further notice. Does this mean that we are likely to see another December notice as has become the custom over the past few years as far as legislative documents are concerned? Perhaps, but perhaps not.

The Regulation on Compulsory preservation caused some turmoil in the industry, to the extent that the Minister of Finance, Hon. Shiimi has designated a special committee to investigate the preservation of pension benefits and to recommend possible solutions to the public uproar we witnessed. This might not be the only controversial change FIMA would effectively bring about. In our previous Newsletter, we spoke about the compulsory annuitisation of the provident funds under FIMA, which would essentially end the provident fund product as we know it. More of these sections will be unpacked in future editions of the Newsletter.

This committee is given 6 months to finalise the work given by the Minister and this might also have an impact on the substantive provisions of the FIMA, even where there might be conflicting provisions with other percepts of legislation.

These must be cleared before the official launch and effective date can come into force, as the work that needs to be done by the funds would essentially be directed by the Standards and Regulations, which are all not yet published.

We also saw the controversy regarding the risk benefits in funds and how NAMFISA interprets the provisions relating to the eligibility of membership of a fund and the guarantee that needs to accompany the benefits in the rules of the funds essentially. This remains an ongoing matter which funds are battling to overcome because there seems to be a difference as far as the interpretation of the provisions are concerned.

On a different note, RFIN hosted the first face-to-face conference in a few years since Covid and what an event it was. Without each person's contribution, the event would not have been such a success.

The cocktail event seemed to have been the highlight of the conference, with many of the attendees making use of the opportunity to catch up with old friends and colleagues and had fun until the early hours of the next day.

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Overall, with the increase in the repo rate and the inflation, we saw the good and bad sides of the inflationary increases, with our investments growing at a better rate, but yet members felt the grunt of the increased cost of living on a day-to-day basis. Not to mention the rising fuel prices, and our discovery of oil in the country which everyone is looking forward to. Coupled with the green hydrogen industry that is looming and that everyone is talking about, the Namibian energy market is surely set to become a key player in the global energy market. This was unpacked at the conference, and it was also mentioned how fund investments can become part of the rising industry.

RFIN has also emphasised the training of Trustees throughout the year, with various initiatives on different relevant topics and this would be carried on in the new year, with many more initiatives to come, please keep an eye on our website for the details of the programs offered and how you can become a part of the sessions. We are surely excited to continue with this initiative and in doing so educate the Trustees who are essentially the custodians of our benefits in the funds.

As we close the year off on a high note, with everyone having their year-end parties and events, we would once again like to extend our gratitude to all our committed members, it because of our shared passion for the welfare of the financial stability of fund members that we do what we do every day.

We wish you a blessed festive season and a well-deserved rest and safe travels.

Until we meet again in 2023! well-deserved rest and safe travels.

**UNTIL WE MEET AGAIN IN 2023!**

# OUR RETIREMENT RESPONSIBILITY

IS THERE A CASE FOR

# RETIREMENT FUNDS?

Before we try to understand whether there is a case for retirement funds, we must first understand why this question has become more prominent over recent years.

## INCREASED COST AND ADMINISTRATIVE BURDEN RELATED TO RETIREMENT FUNDS

Over the past five years, there have been numerous changes to the retirement fund sector framework, that have impacted members' retirement savings. These changes or additional requirements have introduced the unintended consequences of increased member cost and reduced investment returns on retirement savings. Here is some of the recent and significant changes in the retirement fund sector-framework that have directly impacted the cost of retirement savings:

1. The introduction of the one 'Chart of Accounts' reporting requirement in 2018 has cost retirement funds between N\$10,000 and N\$40,000, depending on the size and complexity of the fund.
2. The Financial Institutions and Markets Act, Act No 2 of 2021 (FIMA) present the following additional cost for retirement funds:



▶ PAUL-GORDON /GUIDAO-#OAB

*Chief Operating Officer -  
Corporate Segment Business Unit -  
Old Mutual Namibia*

- a. Appointment of consultants to implement and/or ensure compliance with FIMA;
- b. Increased Trustee remuneration to compensate them for the additional compliance requirements and penalties imposed by FIMA;
- c. Increased Fidelity/Professional Indemnity cost to cover the significant penalties imposed by FIMA; and
- d. More onerous administration and other service functions to meet FIMA requirements.

The increase in costs will have a direct, negative impact on members' net retirement savings. Retirement fund savings will also be negatively impacted by the following sector changes:



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1. Increase in the NAMFISA levy, effective 1 November 2017. The levies changed from N\$250 per fund plus N\$12 per member to an annual levy of 0.008% of total fund assets;

2. Amendment of the Pension Funds Act (24 of 1956) Regulations, that increased the local asset allocation requirement for investments from 35% to 45% in 2018; and

3. A proposal introducing a 15% Value-added Tax (VAT) on asset manager fees.

The above framework and sector changes have negatively impacted the retirement savings, directly affecting the goal of adequately saving for retirement in the following manner:

1. A lower net contribution towards retirement savings. Your net contribution is your total monthly retirement saving (both employee and employer) less costs and fees. And as the cost increase by legislative, framework, or sector changes, the net contribution reduces.

2. Lower real investment returns earned on retirement savings. The real investment return is your gross investment returns less investment cost and inflation. The impact of the above-mentioned changes are resulting in a lower likelihood of the growth of retirement savings exceeding inflation.

In Namibia, employers are not legally required to sponsor a retirement fund for their employees. As a result of increased costs and administrative burdens attached to retirement funds, more and more employers are assessing whether it is worthwhile to provide a retirement savings vehicle for their employees.

## THE BENEFITS TO INVESTING IN A RETIREMENT FUND?

When assessing the current retirement savings environment and framework, we must appreciate that the Pension Funds Act, Act No 24 of 1956 (the PFA) and the Income Tax Act, Act No 24 of 1981 (the ITA)

create extremely beneficial and secure conditions for an unparalleled savings vehicle. This stems from two unique legal frameworks applicable to retirement fund savings; namely the special protection afforded to retirement savings by the PFA and the tax incentives offered by the ITA.

## LEGAL PROTECTION

Let us first consider the protection provided by the PFA. Section 37A of the PFA states that “...no benefit provided for in the rules of a registered fund (including an annuity purchased or to be purchased by the said fund from an insurer for a member), or right to such benefit, or right in respect of contributions made by or on behalf of a member, shall notwithstanding anything to the contrary contained in the rules of such a fund, be capable of being reduced, transferred or otherwise ceded, or of being pledged or hypothecated, or be liable to be attached or subjected to any form of execution under a judgment or order of a court of law...”. This provision safeguards retirement fund benefits (payable to members as well as the beneficiaries of members who have passed away) from creditors. Section 37C of the PFA requires that the Trustees determine how a retirement fund member’s death benefit will be allocated to his/her beneficiaries. In doing so, the Trustees ensure that all the member’s legal and factual dependants are considered for the allocation of the fund savings. This is not a requirement for other savings products that are not regulated by the PFA. This provision ensures that the most vulnerable members of society are afforded some protection when retirement fund death benefits are distributed.

## TAX INCENTIVES

The tax incentives available to the retirement savings sector are threefold. Firstly, employer contributions toward retirement savings are exempted, it being the generally accepted practice for decades and not law. These contributions are therefore not included in the employee's gross income when calculating taxable income. Furthermore, up to N\$40,000 of the employee's contribution to a retirement fund is non-taxable. Secondly, the investment income earned on retirement savings is tax exempted. This is not so for other savings vehicles. Thirdly, upon the retirement or death of a retirement fund member, there is favourable tax treatment with respect to the benefit payments as only a portion of the benefit is taxable.

## OTHER BENEFITS

There are many other benefits to investing in a retirement fund that should not be forgotten, these include:

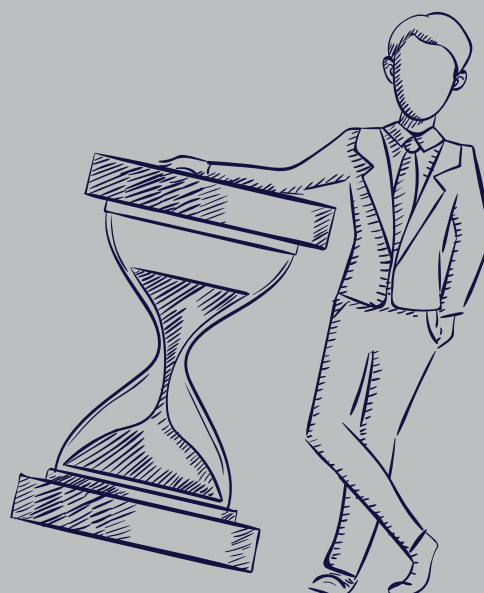
- The management and oversight of retirement savings are conducted by a Board of Trustees who are required to have the necessary skills, experience, and resources to ensure that sound decisions are made on behalf of the retirement fund members.
- When saving in a retirement fund, together with many other members, the economies of scale results in reduced costs versus when you save in your personal capacity.

- That retirement funds must appoint an independent auditor and a suitably qualified valuator who should ensure that the retirement fund assets and liabilities are recorded correctly and managed on a sound financial basis.

- Your investment for a comfortable retirement is safe in that you cannot 'withdraw' from the savings for luxuries, travels, or renovations ahead of retirement, which can easily be done in another savings vehicle.

Is There Still a Case for Retirement Funds in Namibia?

YES! Despite the challenges of increasing costs and the lower returns, there is still, indeed, a case to be made for retirement funds as the benefits still outweigh the challenges by far.)





### • APPOINTMENTS

#### MS. YVETTE MTOLO-PHIRI

Yvette Mtolo-Phiri is a Specialist: Assets, Risk & Assurance at Rossing Uranium Ltd, with 13 years of experience, working across various finance disciplines. Yvette specializes in risk management, capital investments, internal auditing and contract governance. She holds a bachelor's degree in accounting, an honours degree in financial management, a masters degree in finance and investment and is a certified financial modelling and valuation analyst. She is currently working toward her chartered management accountant professional qualification.



#### MS. AINO SHIPIKI

Aino Shipiki is currently employed as Finance Manager at the Government Institutions Pensions Fund (GIPF). She has 18 years extensive experience in the Finance Industry. She continually develops finance policies and has successfully managed and overseen a variety of financial projects for the Fund. Her experience in finance and management ranges from Procurement, Financial Reporting, Management Reporting, VAT administration, Cash management, Debtors & Creditors Management. Ms. Shipiki is currently an ACCA candidate, she holds a master's in International Business with a specialization in Financial Management, a Bachelor of Accounting, and a National Diploma in Commerce. She completed the Leadership Development program with the University of Pretoria.



### • REAPPOINTMENT

#### MR. DUGALD OC HAMMERSLACHT - DIRECTOR

**15TH  
RFIN**



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# ANNUAL CONFERENCE



## 2022 IN PICTURES

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# RFIN TRUSTEE TRAINING

CALENDER

2023

## RFIN - RUDIMENTS

Training on the fundamental elements that a trustee needs before taking on advanced training targets are new trustees, new PO's aspiring trustees, refreshers for long serving trustees in anticipation of FIMA, etc.

COURSE	MONTH	VENUE	TIME	PRICE (VAT INCLUSIVE)
Pension Fund Investment Management - FIMA	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members
Member Engagements and Communication	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members
Budgeting for Pension Funds	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members
Pension Fund Annual Report	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members
Governance of Pension Funds: Trustee and PO roles and duties	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members
ESG Investments (Basics)	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members
Pension Fund Risk Register	March, June, November	NUST -WHK, other TBC	8:30 -12:00	N\$1,847 members N\$2,479 non-members

## RFIN - SUPREME

Equipping Trustees to handle FIMA (Formulated on Namfisa/FIMA: Requirements/Obligation/Guidelines)

Training on the In-Depth knowledge on the elements that a trustee needs in preparation for FIMA: targets are new and long serving trustees, new and long serving PO's, aspiring trustees etc. Follows on from **RFIN Rudiments** Training..

COURSE	MONTH	VENUE	TIME	PRICE (VAT INCLUSIVE)
Pension Fund Investment Management – FIMA	March, June, November	NUST -WHK, other TBC	8:30 –13:00 14:00–16:30	N\$2,648 members N\$3,997 non-members
Annual Reporting – regulatory under FIMA	March, June, November	NUST -WHK, other TBC	8:30 –13:00 14:00–16:30	N\$2,648 members N\$3,997 non-members
FIMA – Overview (changes to Pension Fund Act vs FIMA, Chapters & Regulations [Main Points], Legal requirements, Fund regulation)	March, November	NUST -WHK, other TBC	8:30 –13:00 14:00–16:30	N\$2,648 members N\$3,997 non-members
Responsibilities, Obligations and Liabilities of Trustees and PO under FIMA	March, June, November	NUST -WHK, other TBC	8:30 –13:00 14:00–16:30	N\$2,648 members N\$3,997 non-members

## RFIN - BESPOKE TRAINING 2023

Fund specific training. The fund will indicate what their training needs are picking from the **RFIN Rudiments, Supreme or Tailored**.

Minimum 10 –20 maximum people per training, thus allowing for prospective trustees, company committee members and any others allowed by Board to also attend in aid of Retirement literacy.

	MONTH	VENUE	TIME	PRICE
RFIN Rudiments	On request	FUND premises/organized	TBC	N\$10,000 members N\$15,000 non- members
RFIN SUPREME	On request	FUND premises/organized	TBC	N\$10,000 members N\$15,000 non- members
RFIN TAILORED	On request	FUND premises/organized	TBC	N\$15,000 members N\$20,000 non- members



**RFIN Board and Staff** Would like to sincerely thank all our stakeholders for their support throughout the year 2022, in promoting the development of the retirement funds industry. We wish you and your loved ones a festive season filled with love, joy, peace and happiness.

**MERRY CHRISTMAS  
AND A PROSPEROUS  
2023!**

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