

Retirement Funds Institute of Namibia

OUR RETIREMENT
RESPONSIBILITY

ISSUE 2

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ED's Corner

FIMA has landed- What is in for the Retirement Fund Industry?

By: Ms. Maria Nakale
Executive Director

The promulgation of the FIMA, and its awaited implementation will put an end to the administration of a Pension Funds Act which has been in operation for the past 66 years. Even though various amendments were made to the Pension Funds Act, Act 24 of 1956, to keep abreast with market developments, such could not address all legislative gaps which evolved over the years. As a result, the soon to be implemented FIMA is expected to bring a sigh of relief to an industry which has been regulated by mostly applying the moral suasion and through good relationship that developed over the years between the Regulator and the industry.

The promulgation of FIMA will see the Fund Administrators, which are key to the administration of retirement funds, being amongst those non-bank financial institutions to be regulated by NAMFISA. In addition to Trusts, and other persons recognised in law or appointed by the courts, the FIMA further introduces and recognizes beneficiary funds, to be responsible for receiving, administering, investing, and paying on behalf of beneficiaries benefits due to the dependants and nominees of retirement fund members.

As we all know, every change comes with its own pains and gains, and this one cannot be any other different. The question then remains whether, as an industry, we are ready to embrace that change.

Section 255 of FIMA states that a pension fund that was registered under the Pension Funds Act, 1956 (No. 24 of 1956) is deemed to be a retirement fund registered under the FIMA, however, such fund must, within 12 months after the date of commencement of Chapter 5 of the Act, make an application to NAMFISA pursuant to section 252 for registration as a retirement fund. Should any fund fail to make an application to NAMFISA for registration within the period of 12 months as stipulated above, NAMFISA may take such actions that it considers appropriate against the pension fund.

Such actions can include cancellation or imposing of administrative sanctions on such funds that are not compliant. It is therefore important to ensure early registration within the prescribed period and avoid administrative penalties associated with not doing so.

One of the biggest concerns raised by the industry is the increase in administrative costs which includes supervisory costs, and which are expected to grow due to what is perceived as onerous reporting requirements by NAMFISA. These costs include payments of trustees' fees to be paid for services of acting as trustees of retirement funds, auditing and actuarial fees, administration fees etc. As a result of these costs, the industry is likely to see the transfer of smaller stand-alone retirement funds into umbrella funds as strategies to minimise the overall costs related to the administration of such smaller funds and capitalise on the economies of scales which the umbrella funds offer to such structures.

However, before such transfers are affected stand-alone funds need to conduct proper research and obtain independent views on the costs and benefits related to joining a larger fund.

This will include the clear understanding on how the stand-alone fund will receive support through the structure of the umbrella fund once it becomes a participating employer in the fund. Issues worth considering include advice in terms of employee benefits, investment management advice, communication to the members of such participating employer, support through the benefit claim process etc. Even if a participating employer has joined an umbrella fund, there is a need for such to establish and maintain a management committee inhouse which will serve as a conduit of communication between the participating employer and the fund. This will be the structure that will ensure that the concerns and interests of the members of such participating employer are appropriately addressed with the Fund. The Fund Administrator ought to facilitate the engagement process between the management committee and the Fund.

One key area that requires attention is the development of industry specific skill sets, especially amongst the trustees and the management committees representing members of the participating employers. Whilst umbrella funds will budget for and cover the skills development related costs for the trustees of such funds, there is a need to ensure that the members of the management committees are empowered to make well informed and sound decisions related to the management of the affairs of their portfolio as expected by the Fund. Members need to consider costs coverage for such initiatives in case there is a need for members of the management committees to undergo training and enhance their knowledge on matters related to their portfolios. For example, some umbrella funds, if not all, expect members of such funds to nominate an investment manager to manage their investment portfolio. The same expectation is placed on the members by the Regulator as per the provision of section 55 of Standard No. RF.S.5.26 that deals with the governance of retirement funds.

For individual members, such decisions must be made by themselves, however, for those participating employers who joined these umbrella funds, such decisions ought to be made by the management committee members.

The question remains whether these individuals and members of the management committees are knowledgeable to make such important decisions on behalf of the members they represent. Stand-alone funds will hire various professionals like asset consultants, benefit consultants etc, to provide support and guide the trustees in the outsourcing of these services. Do umbrella funds extend the same services to the management committees to ensure that they are guided when expected to make decisions related to outsourced services or is such support only available to the Funds and their trustees as per the provision of section 55 of Standard No. FR.S.5.26? Will the market see some changes in the manner we administer umbrella funds, or will it be business as usual? Is there a gap and as an industry, how do we bridge such gap? It is necessary to ponder on these rhetoric questions, especially that many smaller funds might not see any way out of navigating this regulatory storm, except joining umbrella funds due to other benefits derived from some structures.

As an industry association RFIN will be there to support our members in easing the transition pains which might come with the migration to the new legislative landscape. NAMFISA developed critical subordinate legislative instruments in the form of regulations and standards. These instruments ought to be in place to facilitate the implementation of the FIMA, however, more of these legislative instruments will be issued in future to allow NAMFISA to apply the most dynamic and forward-looking risk-based supervisory approach.

In essence, the subordinate legislative instruments are designed to enable NAMFISA to effectively regulate and supervise the industry while giving effect to some of the provisions contained in the FIMA. Furthermore, one key focus areas within the FIMA is governance. The implementation of FIMA will strengthen governance within the non-banking financial institutions industry, but such will come at a cost. Therefore, it is expected that Funds will strengthen their policies in terms of cost management and financial planning by adopting the relevant financial management tools like budgets etc.

RFIN has been offering training in the form of short courses to narrow the skills gap existing in our industry. There are foundation courses that mostly cover legislative, regulatory and governance principles, which will be offered annually based on our annual training calendar. These are developed with the key focus on new trustees or those old ones who intend to refresh their knowledge on legislative requirements and compliance. We will continuously review the content of our training materials to ensure that they consider additional requirements especially on regulatory related matters and remain relevant. These sessions are offered on a quarterly basis, with tailor made sessions extended to individual funds, and delivered at any time that suits the trustees.

As members of RFIN, we are encouraged to participate in these training sessions and learn from each other. The same training sessions will be available to the members of the management committee of participating employers who contribute to an umbrella fund which is a member or not a member of RFIN.

We need to organise ourselves and support each other as industry players so that we can maximise the value which the new legislative instrument is expected to bring. The introduction of the FIMA comes with a silver lining, the decision remains with us on whether we will look for that and capitalise on it. The FIMA has landed and soon it will be part of our operations, so lets us seize the opportunity and be the best that we can ever be as an industry!



OUR RETIREMENT RESPONSIBILITY

Incoming Chairperson Message

‘Doing the right things correct, most of the time!’



Ms. Sara Mezui-Engo

Board Chairperson
Retirement Funds Institute of
Namibia (RFIN)

Our former Chair used the analogy of stormy waters in her outgoing message. In continuing with that theme, I wish to demonstrate that there is continued and aligned strategic leadership at the invigorated Retirement Funds Institute of Namibia. I thank her for her reign and happy to announce that she continues serving on the Board as vice chairperson.

2022 has come to knock the wind out of our sails just as we were getting accustomed to living with Covid-19. As we swirl in the storms hurled our way, the winds may toss our boats around the sea, however our boats need not catch water. We must ensure good understanding and effective use of our compass to navigate the seas and stay on course. Where we have been found to veer off course, we will need to trim our sails and begin to get our boats headed back in the right direction.

Global financial markets entered the year predicting that central banks would hike interest rates, and dial back any remaining quantitative easing, to bring rising inflation under control. Global inflation, which has reached levels unseen for decades, has been driven by increased consumer demand following the relaxation of Covid-19 restrictions, and shortages resulting from weakened supply chains. Since the start of the year, rising commodities prices have been further exacerbated by the sanctions introduced against Russia, and its oil and gas exports, in response to the Ukraine conflict.

In our local market, rising inflation has been primarily driven by rising costs for raw materials and other goods, rather than increased demand. It brings with it a risk of stagflation for our economy (ie high inflation alongside low growth), and so we must navigate the storms of geopolitics, inflationary pressures and rising borrowing costs against a backdrop of potential low economic growth, further Covid-19 outbreaks, new regulations and more. At RFIN, in line with our mandate, we intend to keep the fleet on course by capitalizing on our helicopter view to ensure we disseminate best practice, drawing from the insights of our member base and regional partnerships.

These storms bring with them gushing waters that impact liquidity; volatility; earnings; valuations; portfolio income; cost of compliance and more. These necessitate shrewd strategies to ensure that assets deliver the returns needed to protect members' benefits and ensure long-term solvency. Whilst the picture remains uncertain over the short- or long-term, one thing that's certain is that as long-term institutional investors we must sharpen our pencils to ensure our asset allocation strategies are sound.

Yet another year of uncertainty, not what anybody wanted, however with readiness over what may be to come already in place, our industry may be prepared to capitalize amid these risks. Doing the right things correct most of the time serves as a compass to keep us on course.

I would say the below are the pertinent right things, (which align to the 2021 Mercer CFA Institute Global Pension Index):

- Enhancing retirement outcomes of members
- Effective asset allocation and implementation
- Upskilling and applied knowledge of fiduciaries
- Stewardship through Responsible investing
- Good governance and internal controls

The Mercer CFA Institute Global Pension Index ranks 43 countries' retirement systems in terms of three criteria (1) adequacy, (2) sustainability and (3) integrity (confidence in the system). I will unpack these throughout the year, for now I want to zoom into the issue of enhancing retirement outcomes of members. Studies show that there are 5 main factors contributing to the retirement outcome of members, mainly preservation; contribution rate; retirement age (i.e. length of time for which individuals save) ; Investment returns pre- and post retirement and costs. The single biggest factor contributing to low savings levels of members at retirement is the lack of preservation during their working lifetime. This is however a systemic issue which cannot be changed overnight. Improving investment returns by reducing investment cost has the most significant impact, as well as reducing administration costs. This is the lever most in the control of the Trustees. This entails reviewing the investment strategies and the associated costs and to work with asset consultants to structure a portfolio improving the target returns without increasing the overall risk profile of portfolios.

In our gatherings, we must brainstorm on the issue of passive versus active management strategies. Over the long term, in efficient markets, passive management is not demonstrably inferior to active management, and it is significantly cheaper. Foreign markets make far greater use of such strategies, and we must assess where we stand. On the issue of administration costs, we must consider the need for consolidation within our industry, as is a global norm. The economies of scale from umbrella funds should conventionally reduce overall costs, thereby improving long-term returns. We should assess whether our regulatory and legal framework is adequate to enable efficient and effective umbrella funds to the benefit of members with enhanced retirement outcomes.

To this regard, RFIN will continue to mine intelligence through surveys, so we develop key statistics and insights for our industry. When we benchmark against peers, we understand our positioning towards competition and excellence to the benefit of our underlying members. Our newly introduced Chairpersons and Principle Officers Forum which had its inaugural meeting on 1 February 2022 will surely deliberate on matters that are core to retirement funds.

We are dedicated to continuing with thought leadership articles, particularly unpacking policy matters within our market. During 2021 the country launched its first National development finance report with continued workshops and engagements towards finalizing a roadmap for the establishment of an Integrated National Financing Framework (INFF) in Namibia. The report includes a section on the contractual savings pool of Namibia. RFIN will certainly call for platforms to engage our members in the required public discourse to see to it that retirement funds are afforded their seat at the table fostering co-operation and to avoid being dictated to without consultation. The retirement fund industry asset base through investing in the real economy is a vital capital source, however we must step up our stewardship and call for the adoption of best practices that may safeguard our investments.

The unlisted investments as regulated by reg 13(5) is a prime example. RFIN's Legal governance and compliance committee is providing the necessary strategic intent for a review of regulations that impede on our asset allocation decisions. Of late, starting 14 April, I participated on 4 platforms to discuss the much-debated compulsory preservation as well as unpacking FIMA and ensuring RFIN's role is understood. These were on Talk of the Nation; a radio interview on The Business Report on Nova; a panel discussion on FIMA as a tool for financial stability hosted by EAN and NaSIA and a radio interview on the World at Six programme, NBC.

On the compliance front, the office will continue to provide readiness and consultation interventions for FIMA, especially with the draft proposed standards made available during February 2022.

Finally, I wish to stress that our relevance to you our members is top of mind. Do continue to participate in the issued surveys. Data is key in delivering good service. These uncertain times are not times to wonder alone, therefore please encourage your fellow peers to join RFIN. I am honoured to be your incoming Chair and look forward to serving with dedication and to meet as many of you at our various engagements throughout the year.

Let us do the right things correct, most of the time!
Our retirement, our responsibility!



**OUR RETIREMENT
RESPONSIBILITY**

Thought Leadership

Transparency and trust between a Pension Fund and its members



By: Josephine Hamwaama
Strategy & Projects Officer, GI PF

It goes without saying that pension funds are owned by the members. To put this in context, member contributions are what enable a Fund to provide for the retirement benefits that it promises to its members once they exit the Fund years down the line. This article will look at this relationship between the Fund and its members from the perspective of trust and how this five-letter word can determine the direction of a pension fund. Transparency is a critical component of ensuring trust from members toward their pension fund. The core purpose of any pension fund is primarily to provide retirement benefits for its members. The fund achieves this by first collecting contributions, then investing these contributions responsibly in order to pay out the correct benefits to its members on time

This process is a clear indication that any pension fund needs to adopt a good governance structure to manage funds in the best interest of the member. This system is often overseen by the Principal Officer of the pension fund, but at what point do pension funds disclose return on investments information to its members for benefits realization?

The primary interest that a member continuously asks themselves is always; is my money safe? will I get my money when I retire? Is the investment in which my money is being used, yielding good returns? And what does this mean for me as a member? In fact, where is my money being invested and why there? What other benefits does my investment bring? Transparency is about giving members the comfort to all these questions, rightfully so. This can be done by means of disseminating and discussing key documents such as the fund's strategic plan, investment plan and reports detailing the investment decision making process, disclosing of the senior leadership structure entrusted to manage and direct member funds and how they are appointed, what skills do they bring? This is important because it gives your members comfort and assurance in the ability of senior leadership to make the best investment decisions that are in the best interests of the Fund and its members.

This information should be communicated to all members as often as necessary, through user friendly communication channels and especially in a language understood by the average member. This tells us that it is important to create different communication modes, tailoring them to demographics and backgrounds. This in return will result in a buildup of trust from members towards their pension fund increasing credibility and accountability.

No pension fund wants its members wondering and developing mistrust over them due to a lack of communication on matters pertaining to their funds. The good news is that this is a manageable process.

A pension fund should create enabling platforms for members to air their views and give honest feedback on customer satisfaction and/or how to improve business processes. People have the desire to be heard, after they have been heard, they want assurance that action is being taken and later on expect effective feedback on the same matter within reasonable time.

The extent to which a pension fund invests in stakeholder engagement with its members, often determines its success in the area of transparency and trust. Honesty and trust are the building blocks of a positive reputation for any pension fund, therefore transparency matters and is in the best interest of both the fund and its members.

Although pension funds should strive to maintain high levels of transparency possible, the Trustees of the pension fund also have the duty to ensure that sensitive and confidential information pertaining to the fund and its members is treated with custody. This is the fine balance that pension fund managers should strive to maintain.

Retirement Funds Institute of Namibia

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RFIN Board Positions



Ms. Sara Mezui-Engo

Board Chairperson



Ms. Sabrina Jacobs

**Chairperson Strategy
(Committee)**



Mr. Ramon Hansen

**Chairperson Admin, Finance and Risk
(Committee)**



Mr. Dugald Hammerslacht

**Chairperson Training & Marketing
(Committee)**



Ms. Beata Muteka

**Chairperson Legal & Compliance
(Committee)**

NEW APPOINTMENT



MS. SELMA MBANGO

RFIN is pleased to announce the appointment of Ms. Mbango for the position of Office Administrator/Secretary effective 01 May 2022.

Ms. Mbango holds a Honours Degree in Finance Management, and brings experience and a proven track record of success in the administration and secretarial area, which will be invaluable in meeting RFIN's goals and objectives.

Ms. Mbango describes herself as dedicated and well organised with a positive attitude towards life. She enjoys being part of a successful and productive team as she is quick to grasp new ideas and concepts, develop innovative and creative solutions.

The Retirement Funds Institute of Namibia welcomes Ms. Mbango to its valuable team.



OUR RETIREMENT
RESPONSIBILITY

INDUSTRIAL AGREEMENTS

The Retirement Funds Institute of Namibia (RFIN) is pleased to announce that it has signed memorandum of understandings with the following three (3) institutions:



TRUSTEE TRAINING REPORT-March 2022

As part of the skills development agenda, which aims to empower trustees of retirement fund institutions, RFIN commits to host regular training sessions for our members.

The courses on offer were the following topics:

- Fund Rules and Formatting
- Trustee Fiduciary Duties

The training was offered over two half days 29-30 March 2022, and the mode was virtual. We had our in-house trainer for the 2 half days Mr. Sydwill Scholtz, Manager: Administration & Operation. According to the feedback received, the training content was pertinent to the industry; hence the sessions were viewed to be insightful and informative. Positive feedback was also received on the trainer, in terms of his knowledge and the manner he explained topics. For that reason, given the positive outcome of the training, trustees are encouraged to exploit this opportunity and attend future training sessions planned for the rest of the year. The full training calendar schedule is as follows:

RFIN TRUSTEE TRAINING CALENDAR-2022

Course	Month
Investment policy statement	July, November 2022
Member engagements	July, November 2022
Budgeting for Pension Funds	July, November 2022
Annual Reports	July, November 2022
ESG Investments	July 2022
Communication under FIMA	July 2022
Fit and proper requirements under FIMA	November 2022
Trustee and PO roles and duties under FIMA	November 2022

CHAIRPERSONS & PO FORUM

RETIREMENT FUNDS INSTITUTE OF NAMIBIA

Chairpersons & PO Forum



The establishment of the Retirement Funds Principal Officers and Chairpersons Forum was approved at the 2021 AGM. The Forum was eventually constituted, and the first meeting was held on the 1st February 2022. At this meeting, the Forum elected its Chairperson and Vice Chairperson.

We are therefore proud to announce that Mr Klaus Laborn and Ms Charlene Potgieter were legitimately elected to the positions of Chairperson and Vice Chairperson respectively. Please join us to congratulate our leaders and wish them God's blessings upon them so that they can serve diligently in their positions.



Mr. Klaus Laborn

Holds a B.Econ, Postgraduate Certificate in Advanced Taxation, Senior Management Programme. He has been with Alexander Forbes Namibia for 15 years until June 2019 where he held various positions.

He is a Principal Officer of Alexander Forbes Namibia Suite of Funds since August 2014 (Independent since July 2019). Independent Principal Officer of Bidvest Namibia Retirement Fund since July 2019, and Independent Trustee of Enongo Dependents Trust since July 2019.



Ms. Charlene Potgieter

Holds a B.Comm (Law) and LLB degrees (University of Pretoria), Admitted as Legal Practitioner of the High Court of Namibia, and a Postgraduate Certificate in Pension Funds Law (UNISA). Employed at Namibia Financial Institutions Supervisory Authority (NAMFISA) as Legal Advisor since 2012.

She is a Trustee of the NAMFISA Provident Fund since 2014 and Principal Officer of the same Fund since 2017.



RFIN 15th Annual Conference

SAVE THE DATE!!



22-23 September 2022 | Swakopmund, Namibia

Theme: Building your retirement nest- How prepared are you?

Attendance fee:

Members

Retirement Funds: N\$3700

Service Providers: N\$5000

Non-Members

Individual representatives: N\$6500

Corporate representatives: N\$7000

Service Providers: N\$7000

You can also Register for :

RFIN Marathon 2022

24 September 2022

Conference Sponsorships, Moderators, and Speakers opportunities now open!

Registration forms now available



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Mr. Sydwill Scholtz
Retirement Funds Institute of Namibia
P O Box 2649
Windhoek

23 May 2022

Dear Mr. Scholtz

RE: REQUEST FOR RFIN MEMBERS' PARTICIPATION IN THE FINANCIAL SPEED-DATING EVENTS ORGANISED BY THE FLI.

Financial Literacy Initiative (FLI) was launched on 15 March 2012, as a national platform to enhance financial education for individuals and micro-, small- and medium sized enterprises. The financial speed-dating is one of the annual programmes aimed at enhancing consumer education, and this event will focus on pension funds and annuities as well as education on retirement planning.

The events are scheduled to take place in groups on the following dates and towns:

Group1 (3 days): Ondangwa – 16 August 2022

Ongwediva – 17 August 2022

Eenhana – 18 August 2022

Group2 (2 days): Walvis Bay – 8 September 2022

Swakopmund/ Arandis – 9 September 2022

Group3 (2 days): Rundu – 11 October 2022

Katima Mulilo – 14 October 2022

The financial speed-dating event will be organized together with interested Platform Supporters that are required to each set up a booth with information about their products or services that will be shared with the public. This exercise is aimed at enhancing financial inclusion by promoting financial literacy and ensuring access to financial information (products and services) to all citizens.

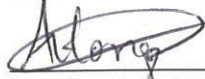
Additionally, participating institutions are requested to have a setup that would enable them to attend to enquiries that are normally dealt with at respective branches. Kindly advise member funds/ service providers to select groups based on the where most of their stakeholders are located. Each group will require a minimum of seven (7) organisations, and any organisations may take part in all three (3) outreach groups.

Kindly confirm your attendance and participation by **30 June 2022** with Ms. Josephina N. Kanyeumbo at josephina@fli-namibia.org or alternatively on 061 209 2687.

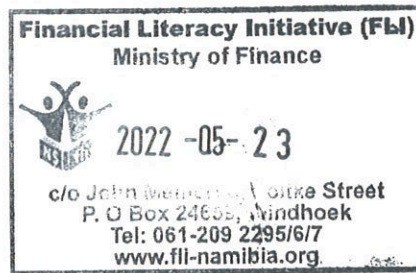


The FLI looks forward to having you and appreciates your usual support in narrowing the economic divide through financial education.

Yours sincerely,



Ms. Iyaloo Ailonga
Acting FLI Secretariat Manager



Thank You



A d d r e s s

Seder Street No.8, Suiderhof



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W e b s i t e

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