

2022



NEWSLETTER

ISSUE 3



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OUR RETIREMENT
RESPONSIBILITY

Message from the Chairperson Training and Marketing Committee



Mr. Dugald O C Hammerslacht

The onset of FIMA on the pension fund industry thrust on the Trustees of the pension funds a raft of responsibilities and associated liabilities. RFIN has realized the task at hand facing our members, the Trustees! in response RFIN has embarked providing a training programme that is aimed at firstly, breaking down the responsibilities, obligations and requirements so that Trustees gain knowledge on what is required and what they as trustees can and should do about it.

This is called the “RFIN Trustee Lite” series presented every quarter allowing every Trustee to attend and be properly armed to execute their duties on areas such as Pension Fund- Investments, Budgeting, Member engagements and annual report development.

“RFIN Premium FIMA Training” delves deep into the requirements under FIMA on the regulatory Requirements expanding on the Lite series on the “HOW TO” and the relationship with Risk-based regulation in terms of the NAMFISA requirements on reporting, compliance and good governance.

We aim to bring “Bespoke Pension Fund Training” to the doors of our members in the immediate future.

“Our Retirement Our responsibility” underpins this empowerment through competency enhancement of RFIN members as a critical component of the value proposition of RFIN for its members and is representative of the Trust bestowed on RFIN as the sole representative of the retirement fund industry.

Join us on this journey to a responsible retirement!!!!

OUR RETIREMENT RESPONSIBILITY

Thought Leadership



Provident fund annuitization under FIMA

**By: Sydwill Scholtz – RFIN Manager:
Operations and Administration**

Under the Pension Funds Act of 1956 in conjunction with the Income Tax Act of 1981 as amended, the law makes provision for the existence of both pension and provident fund arrangements, which are jointly commonly referred to as retirement funds. Each of these types of funds provide members with options as far as retirement fund benefits are concerned. These options are unpacked below.

The difference between these types of funds come in on the retirement options a member of that fund may exercise in as much that under the pension fund arrangement the member may take up to a one third lump sum as a commutable amount, tax free and will be required to purchase a monthly annuity with the remainder two-thirds of such benefit and thereby guaranteeing an income for the member in retirement.

The purchase of this monthly income is known as an annuity, which is essentially a regular payment, normally monthly or annually, for a period of at least five years, depending on the needs of the member at the time and the level of the benefit the member enjoyed in the fund.

This option is also available for the members in provident fund arrangements; however, these members enjoy an additional option not afforded to the pension fund members in that these members may have access to their funds in a once off lump sum. One third of this lump sum payment on retirement will be dealt with as a tax-free payment while the remainder two-thirds will be subjected to income tax provisions at the time depending on the taxable scale the member falls in.

Under the provident arrangement members are free to do with the funds as they please, whether it means starting a business, investing in farming activities or buying property, they have the full access to their funds. This option will soon be a thing of the past as soon as the Financial Institutions and Markets Act (FIMA) comes into force. We are all aware that the date of FIMA implementation has been postponed for now, but this would not preclude the provisions discussed below to come into effect.

Section 249 of FIMA defines a retirement fund as follows:

"Retirement fund" means an association of persons established with the objects of receiving, holding and investing contributions of individuals and their employers for the purpose of providing retirement benefits in accordance with the rules of the fund adopted for such purposes and includes such other funds as the Minister may prescribe;

Under our current dispensation and modus operandi, most funds are what is termed as defined contribution funds, which are currently further subdivided into the well-known pension and provident arrangements. Under FIMA the defined contribution fund is defined as follows:

"defined contribution fund" means a retirement fund in which -

(a) each member receives a benefit the amount of which is determined by the balance in that member's individual account on the date of the retirement, death, disability, withdrawal or termination of employment of that member.

(b) any benefit payable on retirement must be fully secured through an annuity policy owned by the fund or purchased in the name of the member or paid to the member in accordance with such other form of payment that is permitted under the standards;

(c) no reserves for guarantees in respect of capital, investment income or rates of return, longevity or other contingency affecting the amount or duration of benefits or of annuity purchase rates or adequacy of expense charges or amounts held in such respect are required to be held by the fund; and

(d) only an expense reserve required by the terms of the fund is held or is required to be held as stipulated in the standards or by generally acceptable actuarial practice;

Delving deeper into the provisions of FIMA, one needs to have regard to the Standards published under FIMA. Currently the only published Standard dealing with the alternative forms of payment for pensions for the purposes of defined contribution funds is the Retirement Fund Standard 5.11. However, since this standard is designed to be a subordinate legislation it cannot by means of its operation contradict or go against the spirit and purport of the FIMA, which essentially wants all retirements to be secured through an annuity as seen above.

The Income Tax Act currently makes provision for the commutation of provident benefits, however, FIMA contains a provision that states that in the event of a conflict with any legislative provision, the provisions as laid out in FIMA shall prevail.

In essence, the provident fund arrangement as we know and have become accustomed to as part of our pension fund scheme arrangements will essentially cease to exist since all funds need to re-register in the FIMA legislative landscape and any provision which would make it allowable for a fund to commute a lump sum to a member might not pass the NAMFISA requirements when rules are submitted.

On 01 March 2021 we saw the same happen in South Africa, however, the South African system has allowed their Income tax legislation to catch up to these changes and further allowed members to have access to their benefits accrued under the previous laws as a lump sum and only those benefits which accrue under the amended legislative provisions to be dealt with as a compulsory annuity for provident funds.

We have not seen our legislature or Regulator giving any intention on allowing the same leeway to members as they essentially do away with the provident fund schemes we know and many came to plan accordingly. The fact of the matter is that the FIMA has been dealt with at Parliament and their respective committee levels and has been passed into law, only with the effective date of operation now pending an announcement from the powers that be.

The question therefore remains: Is there room in our dispensation and framework for the traditional provident fund arrangement? Or are we better off under the single pension allowable scheme of annuitization?



RFIN 15th ANNUAL CONFERENCE 2022

RFIN has over the years hosted the annual retirement fund industry conference. This is the most important event in the calendar of the industry since it brings together experts in the sector to discuss pertinent issues facing the industry. The selected topics will be discussed under the following theme – **Building a Retirement Nest – How Prepared are We?**

TOPIC 1: Responsible investing through private markets: Opportunities and threats

Speaker: Amit Mohan – Climate Fund Managers Head of Debt

Speaker: Nillian Mulemi – GIPF Board of Trustees Chairperson

TOPIC 2: Risk benefit coverage: Its relations to retirement products cost and benefit analysis

Speaker: Mathys Du Preez – Sanlam Namibia GM Legal & Compliance

TOPIC 3: Market developments and retirement funds asset allocation

Speaker 1: Jithen Pillay–Senior Investment Analyst – Allan Gray

Speaker 2: Zandria Venter – Business Development Manager: Stanlib Namibia

Kevin Lings – Chief Economist: Stanlib

TOPIC 4: Cost and benefits analysis of early retirement

Speaker: Vilho Mutileni– Managing Director – Humanity Employee Benefits (PTY) LTD

More Conference content in the next edition

**THANK YOU
TO OUR MODERATORS
& PANELISTS**

RFIN 15th Annual Conference

THEME: Building A Retirement Nest – How Prepared Are We?



22-23 SEPTEMBER 2022



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**THANK YOU
TO OUR SPEAKERS**

RFIN 15th Annual Conference

THEME: Building A Retirement Nest – How Prepared Are We?



22-23 SEPTEMBER 2022



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RFIN 15th Annual Conference

THEME: Building A Retirement Nest - How Prepared Are We?

22-23 SEPTEMBER 2022



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BUILDING A RETIREMENT NEST - HOW PREPARED ARE WE?



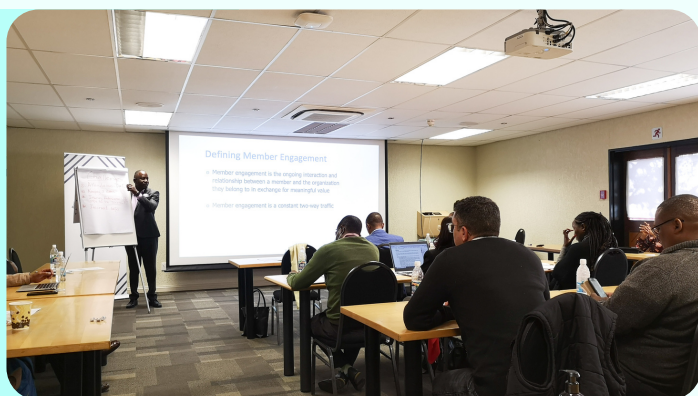
OUR RETIREMENT
RESPONSIBILITY

TRUSTEE TRAINING REPORT - JULY 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:

- Investment policy statement – Trainer Ms. Carmen Forster – SAN
- Member engagements – Trainer: Mr. Erwin Tjiramba – GIPF Manager: Corporate Communication and Stakeholder engagement
- Budgeting for Pension Funds – Trainer: Reinhard Voigt – SAPN
- Annual Reports – Trainers Mr. Donovan Pokolo & Mr. Faizel Uaendere –DCS Registered Accountants & Auditors
- ESG Investments Part 1 – Trainers: Mr. Anthony Walker M&G Investments & Communication under FIMA – Sydwill Scholtz – RFIN Manager: Operations & Administration

The training was offered over 5 days – 4 half days and one full day, the mode was in-person. Participation from the attendees was healthy on all five days with consistent engagements and questions being asked resulting in valuable discussions held with the attendees. Attendees appreciated face-to-face sessions because it allowed for better focus and engagements.



According to the feedback received, the training content was relevant to the industry; hence the sessions were viewed to be insightful and informative. Positive feedback was also received on the trainers, in terms of his knowledge and the manner they explained the topics.

For those reasons, given the positive outcome of the training, trustees are encouraged to exploit this opportunity and attend the next training sessions planned for 7-11 November 2022. The full training calendar schedule is included in this newsletter.



TRUSTEE TRAINING CALENDAR - 2022

Course	Month	Time	Price
Investment policy statement	07 November 2022	08h30 - 12h00	N\$1250 Members N\$1950 Non-Members
Member engagements	08 November 2022	08h30 - 12h00	N\$1250 Members N\$1950 Non-Members
Budgeting for Pension Funds	09 November 2022	08h30 - 12h00	N\$1250 Members N\$1950 Non-Members
Annual Reports	10 November 2022	08h30 - 12h00	N\$1250 Members N\$1950 Non-Members
ESG Investments Communication under FIMA	11 November 2022	08h30 - 16h00	N\$1500 Members N\$3000 Non-Members



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