

principal officer's review

annual review 2005

the many faces of Debswana Pension Fund

by molefe

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service providers

It has been 21 years since Debswana Pension Fund was established. Its growth since then has been remarkable, with the Fund value fast approaching the P2 billion mark. I am confident that the Fund will pass this milestone in the coming year. Also in terms of membership I am pleased to report that we are growing, with a membership base of 6 161 active members, 1 838 deferred members and 1 181 pensioners as at the end of 2005.

- Debswana Pension Fund has a full-time staff complement of nine running the various functions of the Fund. These functions include strategy development, governance, statutory compliance, customer service, as well as investment and financial reporting.
- The Fund's member records and the payment of benefits and monthly pensions have been outsourced to Alexander Forbes Financial Services Botswana (Pty) Ltd.
- The internal audit function of the Fund is carried out by the Internal Audit department of Debswana, while the custodial service is provided by Barclays Custody.
- The in-house administration section provides a link between the administrators and contributing employers to ensure that we achieve and maintain data integrity on our member records.
- The Fund continues to be focused on its primary objective of providing competitive and reasonable retirement benefits to its members. In order to ensure that this primary objective is met, the Fund monitors the performance of the investment managers on a monthly basis.

All local investment managers have beaten their benchmark for 2005. We are happy with the performance of the local managers, whose mandates cover investments in equities, bonds and cash, as they have shown much dedication towards the Fund.



The international managers are all specialist managers and invest in equities, bonds and alternative strategies, in line with specific mandates provided by the Trustees.

The property portfolio, which is diversified into residential, commercial and retail properties, is being managed in-house with the assistance of Knight Frank as our property manager.

Since the revision of the investment strategy in 2004 we have seen good returns in the various life-stage portfolios. The overall investment returns of the Fund for 2005 were 31.0%, net of investment manager fees and other expenses. This, in my view, is a reflection of a well-balanced Fund management team.

economic review of the local market

Botswana continues to enjoy a stable macro-economic environment and its financial depth is adequate. The government of Botswana has adhered to prudent macro-economic policies and attracted significant capital investment. This has helped to make Botswana one of the most dynamic economies in Africa. Confidence in the country's financial systems and currency was recently affirmed when both the African Development Bank and European Investment Bank issued Pula-denominated bonds at the end of 2005.

Mining continues to play a major role in the economic output and accounts for about one third of GDP in real terms. Although the output of the mining sector has been volatile, this has not impacted as severely on the economic growth rate as could be expected.

However, economic diversification is essential for Botswana's long-term economic growth and the government has therefore adopted policies to reduce the country's dependence on the mining sector. Productivity growth is also very much part of the government's long term economic growth plan. Unfortunately, the slow pace of diversification continues to be a concern, with the high HIV/Aids infection rates being another constraint on the country's future economic development.

All seventeen domestic listed and six foreign listed companies on the main boards of the Botswana Stock Exchange continue to provide good investments for all locally invested funds. A positive momentum towards the end of year yielded a robust performance for the year. All asset classes traded the year on a positive note.



review facets



corporate governance



- A Board of six Trustees; three elected by the members and three appointed by the participating employers leads the Fund.
- The Trustees appointed by the members represent the operation centres of the contributing employers, such as Jwaneng, Orapa and Gaborone.
- The Trustees are responsible for maintaining proper financial and member records of the Fund.
- The mandate of the Board is derived from the provisions of

the Provident and Pensions Fund Act of 1987 and the Fund rules, which are continuously updated.

- The Board of Trustees makes the appointment of the principal officer and the external auditor.
- The Fund has established sub-committees to which it delegates some of its duties in order to enhance its effectiveness. The sub-committees make recommendations to the Board and it is only the Board that approves decisions on behalf of the Fund.

communication strategy

Communication is one of the critical functions of the Fund. The objectives to be met by the Fund communication strategy are to educate and empower members, to promote a positive and professional image of the Fund and to ensure that there is no legal recourse against the Fund.

The Fund has over the years developed a range of vehicles to address the communication needs of its members. The communication vehicles that are currently being used are member workshops, Human Resources staff workshops, newsletters, articles in pay point journals, one-on-one consultations and help lines, the annual review and member statements.

Member workshops were designed to empower active members by increasing their understanding of Fund issues and general financial issues. The workshops are conducted by Fund staff and additional resources such as specialist consultants from financial institutions are used as and when required. These workshops are held quarterly at each pay point.

Human Resources staff workshops are designed to train the support staff members on the Fund reporting requirements. The training is in the form of manuals and interactive lectures by Fund staff.

The Fund publishes two **newsletters** twice a year; Bokamoso, which covers general issues of the Fund and Motsamai, which covers general financial matters.

The Fund uses the **pay point journals** to reinforce important messages and address members' frequently asked questions. Articles are sent out on a weekly basis to all pay points that publish weekly newsletters.

The Fund Administrators and Fund staff offer a **one-on-one consultation service** to all our members. Members can phone to dedicated phone lines in the Fund offices when they require assistance, or visit the Fund offices during consultation hours. The dedicated Fund phone numbers and the consultation hours are published in all the Fund publications that are distributed to members during the course of the year.

fund committees

The Board of Trustees has established three sub-committees — the investment committee, the benefit review committee and the audit committee. These committees were set up to manage the Fund's investments, benefit structures and payments, and corporate governance, respectively.

The investment and benefit review committees meet quarterly, whereas the audit committee meets twice a year and all committees then make appropriate recommendations to the Board.

risk management



The Board is responsible for the risk management process and establishment of sound internal controls of the Fund. The top ten risks identified for the Fund are market volatility, currency fluctuations,

inflation, administration costs, data integrity and liquidity, loss of skills, fraud, counterparty risk and technology. These risks will be monitored on a quarterly basis.



The Fund's **annual review** provides information such as the Fund's growth over the year, the returns on investments and benefits paid as well as governance structures of the Fund. To make the financial information more accessible to all members, the

Fund also publishes an abbreviated annual review, available in both English and Setswana. Annual member statements contain information on member contributions, returns earned and the member's dependants.

people

I would like to thank the following people who have contributed to our successful 2005:

Community: for they provide the necessary support when we need it most.

Members: for they are the reason for the Fund's existence,

Actuaries and consultants: for their professionalism and expertise in providing advice and service to the Fund.

Trustees: for they are the leaders who give direction to the Fund.

Staff: for they steer the Fund to the desired destination.

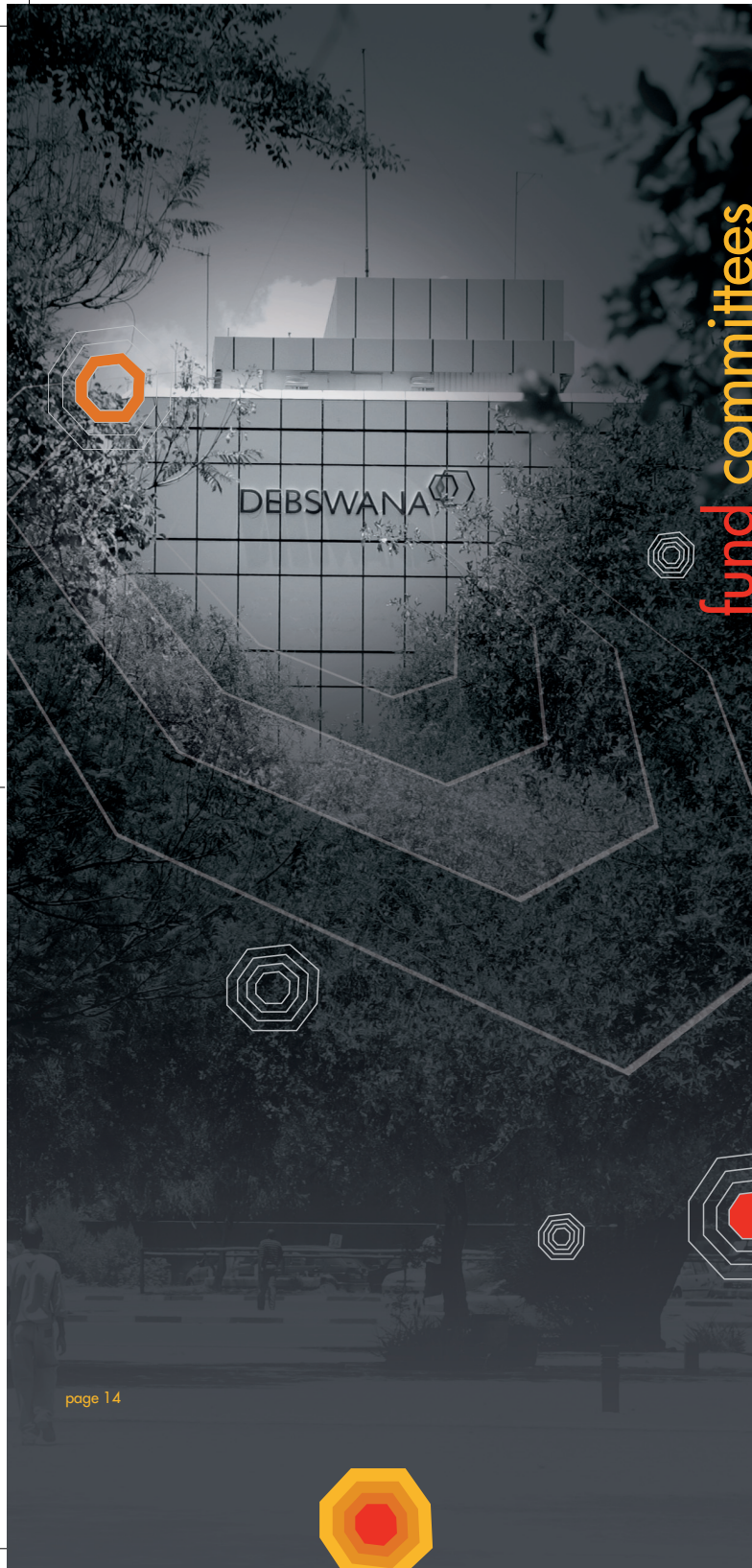
in conclusion

The Fund would like to do its utmost to help members retire financially secure. However, members need to also take responsibility to provide for the future. We therefore encourage our members to plan for the future and,

if possible, participate in additional voluntary contributions so that they can look forward to their retirement with greater confidence.

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review **facets**



fund committees

**annual review
2005**

the many
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Pension
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**benefit review
committee**

The benefit review committee is one of the sub-committees of the Board. This committee is made up of seven members, the majority of whom are Trustees. The purpose of this committee is to review the benefit structures of the Fund, to review and make recommendations to the Board on the allocation of death benefits and ill-health retirements, to review the related Rules of the Fund and to review and recommend the communication strategy to the Board. At every meeting of the benefit review committee one of the standing agenda items is the review and allocation of death benefits for recommendation to the Board. During 2005 the benefit review committee recommended the payment of 56 member death benefits, 20 pensioner death benefits and 6 ill-health retirement benefits.

**Benefit Review Committee Members
(2005):**

- J M Matome - Chairman
- B H Tlhaloganyang
- P Motsilanyane
- M Dimbunu
- M P Motshwane
- P Ramokgalo
- B V Molefe - Principal Officer



investment committee

The investment committee is made up of seven members, the majority of whom are Trustees. The purpose of the investment committee is to invest and administer the funds in line with the Fund rules, Statement of Investment Principles and applicable regulatory framework. This committee also monitors the performance of the investment managers and recommends the appointment or dismissal of investment managers to the Board.

The Board has appointed Fifth Quadrant Actuaries and Consultants as the Fund investment consultants to assist the Investment Committee in the execution of their duties.

Investment Committee Members (2005):

- K G Moshashane - Chairman
- M J Moffett
- L E Armstrong
- T Kobedi
- P Motswagae
- B Thebenyane
- B V Molefe - Principal Officer

committee facets