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DEBSWANA • PENSION • FUND



DEBSWANA PENSION FUND
2016 ANNUAL REPORT ABDRIDGED



Christopher Mokgware

Board Chairman
Company Appointed

“Once more, the DPF sailed through a successful but challenging financial year.”

Dear Members

It is my pleasure to present to you the 2016 Trustees' Report and Annual Financial Statements for the DPF.

Once more, the DPF had a successful but challenging financial year. A key development in 2016 was the sluggish performance experienced on our investments, which have since yielded below target investment returns as reported in the investment report. We nevertheless derive some degree of comfort in that the results are positive although not on target, and most importantly that our assets' performance met inflation and thus were cushioned against possible attrition on past earnings.

The market volatility marked by current and recent years is an ongoing reminder to us that the future is not guaranteed, and therefore this challenges all stakeholders involved in the pension management mandate to play their part to the fullest in ensuring that we all collectively reach the desired retirement objectives for members. On the part of the Fund management and Trustees, we have the responsibility to constantly seek innovative ideas that will improve our strategies in all aspects of the Fund's management, most importantly the optimisation of investment returns and retention of operating costs to the possible minimum.

In that regard I am happy to assure you that we recognise that responsibility fully as your DPF Trustees and continue to make inroads toward such improvements. Some of the 2016 milestones achieved that are symbolic of that progress include the following:

- the appointment of global fixed income asset managers and global equity transition managers to solidify the security of our offshore investments.
- kick-starting the revision of our Investment Policy to improve the yield potential of our Strategic Asset Allocation (SAA) by including new asset classes such as international property, African Equity, and International property etc. as part of the continuing work to develop a sound Asset Liability Modelling (ALM) Strategy which is expected to conclude in 2017.

Sincerely

Christopher Mokgware
CHAIRMAN

Various policies and processes were reviewed and implemented during the year with the aim to further enhance our operational efficiencies. 2016 marked the conclusion of Project Anchor, which we reported on in the previous year's report to be highly advanced. I am proud to say that the Fund administration has improved significantly over the recent years and much of the credit goes to the excellent execution of this project. At the start of the year a strategic review workshop was held by DPF management with the aim to chart a way forward in terms of aligning functional and support plans, and consolidating these into a clear integrated corporate level implementation plan for 2016. By end of 2016, DPF had implemented most of the operational improvements in the plan. Below shows an updated summary of results of the plan achieved in 2016 since its initiation in 2015:

In conclusion, I would like to emphasise on my earlier inferences that as a member you are also a stakeholder and thus have some accountability towards ensuring that the pension mandate is successful. Key to these are assisting us to maintain accurate records, which form an integral part of your pension growth.

By complying with the administration requirements especially with regard to regularly updating your personal details and nominations, you will help us ensure that you are invested in the right investment portfolio at all times and that we accurately distribute your benefits upon your eventual demise. You also need to remember to exercise prudence with your retirement savings in order to achieve your desired net replacement ratio. The Fund management alone cannot achieve your desired retirement income, and a lot is dependent upon you preserving your benefit by avoiding cash withdrawals before retirement, and also making additional voluntary contributions to improve your future earnings. Please use the new member portal to regularly check on the progress of your investment.

I look forward to continued growth and success for the Fund in the coming years.

2016 Fund Performance Highlights

For the year ended 31 December 2016

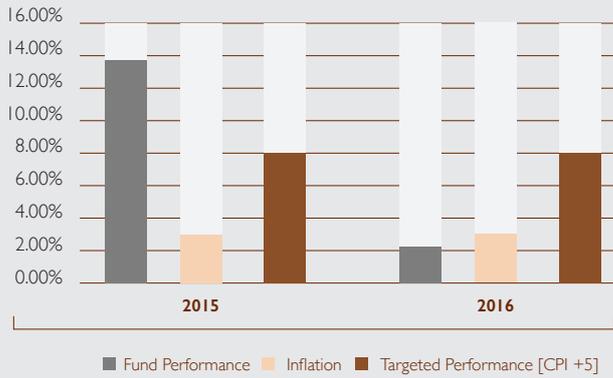


The Fund's total membership grew by **1.96%** (228 members) in 2016. The growth comes from new recruitments by some Participating Employers. Revenues declined significantly by 48% from previous year largely due to poor market performance, hence a decline in adjustment to fair value of assets from **BWP635million** in 2015 to only **BWP60million** in 2016. Whilst administration expenses were reduced by 8% from previous year, the Fund experienced

higher than normal costs on investment fees and exit benefits, which led to an overall **26%** increase in total Fund expenses. Consequently, total surplus for the year declined by **73%** from **BWP771 682 971** in 2015 to **BWP204 984 325** in 2016. A long term view of the Fund's performance shows a sound financial position on all fronts with a funding level of **105.3%**.

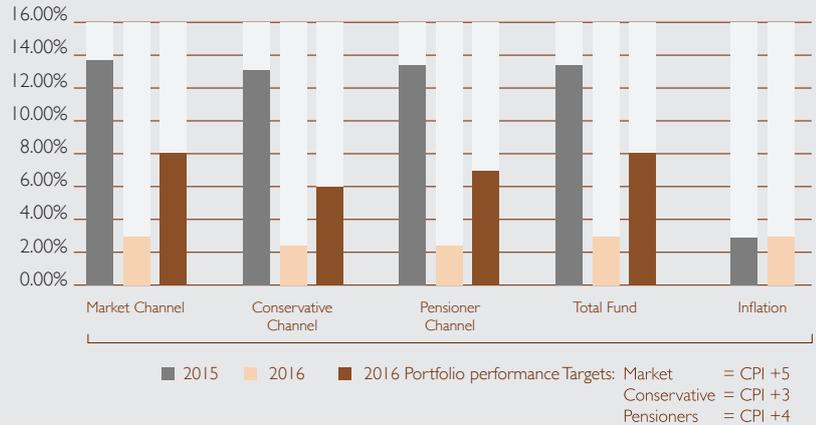
Fund Performance - Total Fund

INVESTMENT RETURNS - TOTAL FUNDS 2015-2016



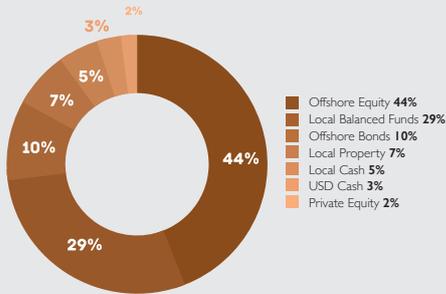
Fund Performance - Life Stage Investment Portfolios

INVESTMENT PORTFOLIO RETURNS 2015-2016

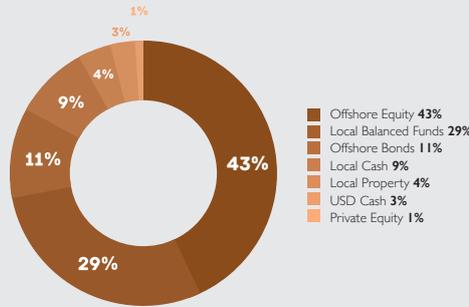


Asset Allocation

ASSET ALLOCATION 31 DECEMBER 2016

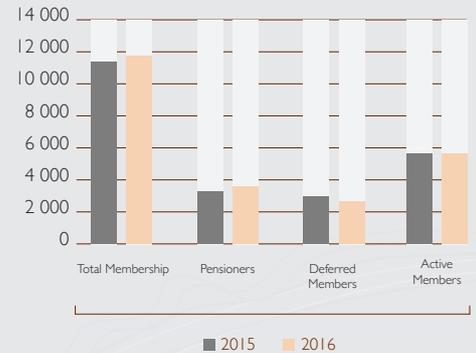


ASSET ALLOCATION 31 DECEMBER 2015



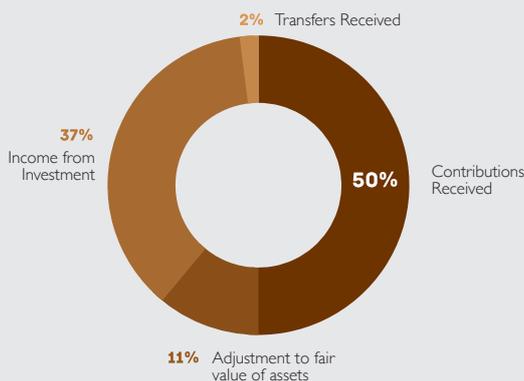
Membership growth & distribution

MEMBERSHIP NUMBERS 2015-2016



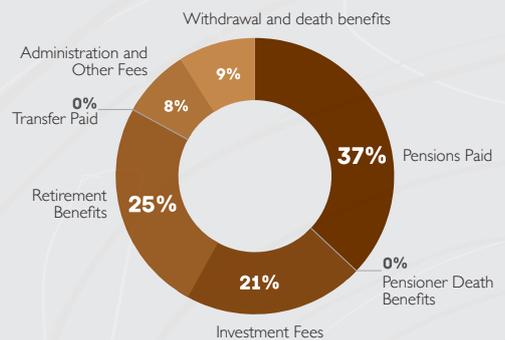
Revenue

REVENUE DISTRIBUTION - 2016



Expenses

EXPENSE DISTRIBUTION - 2016



Funding Level

	31.12.2016	31.12.2015
COMBINED POSITION	P'000	P'000
Fair value of assets	6,518,118	6,313,134
Actuarial liabilities	6,191,443	5,863,899
Surplus/(deficit)	326,675	449,235
Funding level	105.3%	107.7%

DEBSWANA PENSION FUND

Statement Of Financial Position

as at 31 December 2016

	Notes	2016 P	2015 P
ASSETS			
Investments			
Investment properties	5	300 316 885	235 157 001
Investment in associates	6	171 816 186	3 503 314
Other financial assets	7	5 499 477 753	5 367 999 053
Cash and cash equivalents	8	558 964 631	739 320 871
Total investments		6 530 575 455	6 345 980 239
Other assets			
Plant and equipment	9	628 638	1 304 268
Intangible asset	10	2 537 389	2 973 674
Contributions and other receivables	11	31 635 533	13 752 292
Total other assets		34 801 560	18 030 234
Total assets		6 565 377 015	6 364 010 473
FUNDS, RESERVES AND LIABILITIES			
Funds and reserves			
Fund account		4 351 216 606	4 235 205 689
Pensioners' account	14	1 959 299 000	1 884 671 811
Contingency reserves	18	207 602 225	193 256 006
Total funds and reserves		6 518 117 831	6 313 133 506
Other liabilities			
Benefits payable	12	31 650 407	37 066 566
Other payables	13	15 608 777	13 810 401
Total other liabilities		47 259 184	50 876 967
Total funds, reserves and liabilities		6,565,377,015	6,364,010,473

A complete version of the 2016 DPF Financial Report is available on our website, www.dpf.co.bw

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