DPF
DEBSWANA · PENSION · FUND

Active And Deferred Member Guide

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INTRODUCTION

Message from the CEO

Welcome to the Debswana Pension Fund. By choosing to save towards your retirement income, you have made one of the most significant decisions for your future. Retirement planning is essential, as it ensures financial independence when you reach old age, allowing you to live comfortably without relying on others for your economic well-being.

While your employer contributes a specified percentage to your pension fund, it is crucial not to assume that this will be enough to provide an adequate monthly pension upon retirement. It is your responsibility to regularly evaluate your contributions and find balance against your desired Net Replacement Ratio (NRR) to ensure your future needs are met. If necessary, increase your contributions to achieve your retirement goals through Additional Voluntary Contributions (AVC) .

NRR represents your pension salary at retirement as a percentage of your final employment salary. The industry standard suggests aiming for an NRR of at least 60-75%, though a higher percentage may be preferred. Achieving this target depends on prudent pension savings and careful financial management throughout your career.

Attaining your pension salary target requires discipline on your part and efficient fund administration. Your key responsibilities include:

1. Saving Adequately: You can make additional voluntary contributions beyond your employer's contributions. Remember, your employer contributes based on affordability, not necessarily your retirement needs. Additionally, AVCs can reduce your Pay As You Earn (PAYE).
2. Preserving Your Benefits: Avoid withdrawing from your pension fund when changing employers. Withdrawals significantly reduce your potential retirement income, hindering your ability to achieve your NRR target. Debswana Pension Fund is committed to maintaining low fund administration costs to protect your investment returns. You can assist by regularly updating your pension records, thereby reducing communication and administrative expenses related to data gathering and outreach efforts.

Whether you are just starting your career or are an experienced worker, this handbook will answer many of your questions about your pension benefits. Since 1984, the Debswana Pension Fund has provided excellent benefits to employees of the Debswana & De Beers Group of Companies through world class investment strategies and outstanding administration. We continue this tradition by ensuring you have access to comprehensive information about your pension benefits. This handbook, along with other DPF publications, is designed to help you make informed decisions during your career and prepare fully for retirement.

For any inquiries or concerns, please feel free to contact us. We look forward to serving you for many more years to come. We are your life partner.

Gosego January
CEO

A Brief History of the Debswana Pension Fund

Debswana Pension Fund (DPF) is a Botswana-based defined contribution pension fund licensed under the Retirement Funds Act (2014). It is a joint initiative between De Beers Botswana Mining Company (now Debswana), Anglo American Corporation Botswana (Pty) Ltd, and De Beers Prospecting Botswana (Pty) Ltd. As the largest private pension fund in Botswana, the DPF is a major player in the retirement services industry, with assets valued at BWP 11.1 billion as at January 2024. The Fund currently provides pension management services to all employees of the Debswana group of companies, including Debswana Diamond Company, Morupule Coal Mine, De Beers Holding Botswana, De Beers Global Sightholder Sales, Diamond Trading Company Botswana, Debswana Pension Fund, and Mmila Fund Administrators.

DPF Vision

To ensure superior investment returns and an informed comfortable and sustainable retirement for our members.

DPF Mission

We will provide members with competitive and sustainable retirement benefits through good governance, visionary leadership and innovation.

DPF Values

- Member Centric
- Credibility
- Accountability
- Agility
- Self-Driven & Motivated
- Innovation

2. As A Member

Employer Eligibility:

Employer Eligibility

Debswana Pension Fund (DPF), through its appointed Administrator, currently administers pensions for employees of participating employers as outlined in the Rules of the Fund. The DPF Board of Trustees, with the approval of NBIFIRA the Regulator, may periodically decide which companies to accept as participating employers in the Fund.

Member Eligibility

Eligible members include employees of the approved participating employer companies who are on employment contracts longer than five years or are permanently employed. It remains at the employer's discretion whether to enrol the employee onto the pension Fund during or after probation.

Nomination of Beneficiaries

Members are required to nominate beneficiaries at the time of enrolment for the purpose of disbursing their pension fund credits in the event of their death. Members should update their beneficiaries regularly, preferably on an annual basis or whenever there is a change in status due to a life event such as marriage, divorce, or the death of a beneficiary.

3. Contribution

What is Pensionable Salary?

The definition of pensionable salary can vary depending on the employment policies of the respective participating employer companies. Since pension is an employment benefit, the Fund allows employers to define pension deductions within their policies, providing guidance on what a reasonable pension contribution should be.

Employer Contributions

Currently, most DPF participating employer companies enforce a non-contributory pension policy, where the employer contributes 20% of the pensionable salary. The Fund may review this provision periodically in response to changes in statutes or employer policies.

Member Contributions

Members will make their pension contributions as stipulated in their employment contracts.

Additional Voluntary Contributions (AVC)

To ensure a comfortable retirement, the Fund encourages active members to make additional contributions beyond their employer's contributions. Members should note that only the first 15% of AVC is tax-exempt and any amount above this will attract tax deductions.

Changing Employment Status from Permanent & Pensionable to Contract – What Happens?

Members who transition from permanent employment to contract employment have the option to continue contributing to their pension funds instead of receiving gratuity benefits at the end of their contracts, provided their contract tenure is a minimum of five years. If members choose not to remain on pension, they cannot withdraw their fund credits until termination of employment or non-renewal of contracts. Their fund credits are also not transferable to gratuity and will be deferred until retirement, continuing to earn returns on investment.

New employees hired on contract are also eligible to enroll as members, provided they have a minimum contract period of five years to be enrolled with DPF as a Fixed Term Contract employee.

Fund Transfers to and from Other Pension Funds

Members have the option to transfer funds from their previous employers' pension funds to DPF. Members are cautioned to evaluate the investment performance and administrative costs of any fund they transfer their savings into, comparing them with other funds to ensure the best possible growth of their investment.

Ineligible Contributions & Refunds

Upon termination of employment, transfers, or redeployments, the Fund may continue to receive contributions from employers after members have ceased employment or received their terminal benefits. The employer is responsible for refunding members the amounts due while recovering overpayments from the Fund. If there are delays in transferring contributions to the Fund for new and existing employees, the Fund will not compensate for any losses related to retrospective investment returns. Delayed funds will be credited to the member's investment account in bulk and will yield returns as new contributions going forward.

Disbursement of Fund Credit upon Death of Active and Deferred Members

Fund credits for members who die before retirement will be paid out in bulk in line with the outcomes of the DPF death investigations process (refer to the DPF Death Benefits Payment Policy). To ensure a quick disbursement process, members must maintain an up to date and complete nomination record at all times. All persons described as 'dependents' and 'beneficiaries' under the Rules of the Fund must be included in the nomination form. Members should update their nominations at least every two years and after every life event.

Withdrawal from Fund Credit

In line with the Retirement Fund Act (2022) an active member may withdraw from their fund benefits in the following instances:

a) Resignation from Employment

Members resigning from employment, whose accumulated fund credit exceeds the maximum allowed for total withdrawal (refer to part 3), have the option to withdraw a taxable 25% lump sum from their pension fund credits or less. This withdrawal is not compulsory and the remaining balance is deferred until retirement, continuing to earn returns on investment.

b) Retrenchments and Voluntary Separation

Members facing Voluntary Separation or retrenchment, whose accumulated fund credit exceeds the maximum allowed for total withdrawal (refer to part 3), have the option to withdraw a taxable 33.33% lump sum from their pension fund credits. Again, this withdrawal is not compulsory and members may defer the entire amount or the remaining balance until retirement.

c) Ill-health Retirement

Members who are medically boarded from their employment may retire on grounds of ill-health, irrespective of their age. The terms under normal retirement will then apply. The Fund relies on the employer's decision for medical boarding. Currently, there is no legislation against re-entry into active employment post-recovery, so should this occur, members will continue to enjoy their pension without limitations. For deferred members, ill-health retirements will be subject to a DPF approved process and Board review.

Can You Withdraw Your Total Fund Credit upon Employment Exit?

A member is allowed to withdraw their entire fund credit if the accumulated fund credit falls below the minimum deferrable balance of P10,000 upon resignation, retrenchment, dismissal or voluntary separation. For retirees, this option is available if, at the time of retirement, it is determined that the fund credit is subject to taxation. The Fund adheres to government statutes regarding taxation and will adjust in accordance with any legislative changes that arise from reviews of such laws.

Currently, income is taxed if it exceeds a monthly threshold of P7,000 or an annual income of P84,000. Employers are legally obligated to withhold taxes from employees' salaries on a monthly basis under the Pay As You Earn (PAYE) system if their earnings exceed P7,000 per month. This system also applies to monthly pension payments for pensioners who earn more than P3,000 per month. Botswana's individual income tax is progressive, with rates ranging from 0% to 25%, depending on the level of income.

The following incentives are aimed at encouraging members to save more towards their retirement:

- **Tax-Free Retirement Payout:** Upon retirement, 33% of your payout is tax-free. This incentive encourages members to save their money until retirement. Withdrawing pension funds before retirement will result in the entire amount being subject to tax.
- **Tax-Exempt Contributions:** While still in active employment, contributions to approved pension funds are not taxed.
- Members should also be aware that tax laws provide for tax recovery from third parties holding money on behalf of taxpayers who may have failed to service their tax arrears. Consequently, when members retire, the government tax department is notified to certify that the member has no arrears.

Standing for Trustee Elections

All ACTIVE members, regardless of their positions or standing, are eligible to run for Trustee elections under their respective constituencies as and when a position becomes available (refer to part 7 regarding the role of trustees).

Normal Retirement

Early retirement begins at 50 years of age and normal retirement should be no later than 60 years. However, the Fund is guided by the employment policies of the respective employers registered under the Fund and may review this requirement following any changes initiated by the employer (refer to part 4).

4. About the DPF Retirement Options / Annuities

The Fund offers guidance but does not dictate which retirement option members should choose. Members are encouraged to assess the economic and social factors affecting them, their beneficiaries and dependents to determine the most appropriate retirement option for their families.

Members who apply for retirement have the following options from which their pension salaries are determined:

Joint Life with Nominated Married Spouse:

- The member receives their pension for life.
- Members must be married to qualify for this option.
- Upon the member's death, the spouse will continue to receive 50% of the deceased member's pension salary for the rest of their life.
- Children under 25 years will receive up to 25% of the pension until they reach 25 years of age.
- Other dependents may receive up to 10%.
- The total payouts to all beneficiaries will not exceed the original pension salary amount the deceased member earned.
- Percentages received by surviving dependents will vary based on eligibility and number.
- Only dependents nominated at retirement are eligible to receive the benefit.

Life with Nominated Dependents:

- The member receives their pension for life.
- Similar to the Joint Life option but without the married spouse.
- Upon the member's death, the pension is distributed among the underage dependents.
- Dependents will cease to receive their portion upon reaching 25 years of age.
- The distribution of the pension among dependents is at the discretion of the deceased.
- The total percentages allocated to dependents must not exceed 100% of the member's salary at the time of death.
- Only dependents nominated during the member's life are eligible to receive the benefit.
- Life with 5,10, 15 and 20 Years Guaranteed
- The member receives their pension for life.
- Benefits are guaranteed to the member's beneficiaries for the first 5, 10 ,15 or 20 years of their retirement depending on the guarantee period chosen.
- If the member passes away within this period, the remaining months' worth of pension salaries are paid out as a lump sum.
- No benefits are due to beneficiaries if death occurs after the guaranteed years period.

If no retirement option is chosen, the Life with 5 Years Guaranteed option becomes the default option.

Can You Change Your Retirement Option?

Once a member is enrolled on pension, there cannot be any further changes to the type of retirement option, regardless of changes in status such as marriage, divorce, death of beneficiaries, etc. The retirement option forms the basis for calculating a member's pension salary and becomes permanent once the member starts to receive their salary.

5. After Retirement

Once enrolled on a pension member will be guided by the Pensioner Member Guide. Refer to the DPF website **www.dpf.co.bw** for the guide. Below are key points to note: Certificate of Existence (COE). Once enrolled on pension, members must notify or confirm their existence to the Fund Administrator annually through a signed Certificate of Existence, witnessed and endorsed by a recognised authority under the laws of the country. Pensioners are given a deadline by which to respond, failing which their salaries will be suspended until proof of existence is provided.

Pension Increments

It is not always guaranteed that pensioners will receive annual increments. Pension salary increases depend on healthy investment performance and funding levels, which vary from year to year. The Board of Trustees reviews these factors after every financial year-end to determine the potential for an increase and makes decisions accordingly. Pensioner members will be informed of this decision annually by the end of the second quarter.

Death of Pensioner After Retirement

The Fund relies on the pensioner's family to report their death as soon as it occurs. Therefore, members must ensure that their families are aware of the required procedures after death to avoid delays in benefits payments.

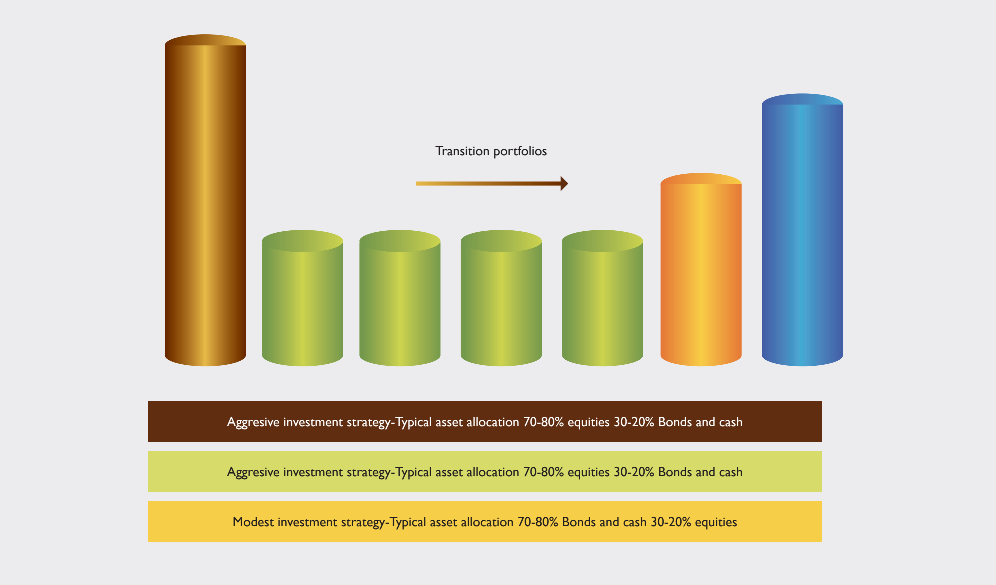
Once the Fund is notified of the member's death, an evaluation will be made to determine, based on the retirement option chosen, whether any benefits are due to the beneficiaries. The family will then be advised accordingly.

Payment of Death Benefits to Nominated Dependents and Beneficiaries

Members nominate their beneficiaries, and the Fund will endeavour to pay out benefits according to the member's wishes. However, under the Rules of the Fund and relevant statutes, the Board of Trustees has a responsibility to ensure that funds are disbursed appropriately. To determine this, the Fund conducts extensive investigations of benefit claims to ensure all eligible dependents and beneficiaries, as described in the Rules of the Fund, are included. The Board of Trustees may exercise its discretion to accommodate such dependents as beneficiaries (if they were excluded), with due consideration of the member's existing choice of beneficiaries.

6. Investment Strategy

Debswana Pension Fund has been using the Life Stage Investment model since 2004. The general principle of the Life Stage Model is to invest member funds based on a member's presumed risk appetite. Capital preservation for near retirees is therefore pursued through reduced exposure of their assets to high risk investment instruments. Conversely, members far from retirement are invested aggressively in high risk-high yield investment vehicle. Under life staging, member assets are split into three portfolios that have different investment objectives; the Market portfolio (18-53) Conservative Portfolio (age 57-60) and a Pensioner Portfolio (above 60).



Investment Objectives of the Life Stage Model per Portfolio

Market Portfolio: The primary investment objective is to provide a net real return of 5.7% per annum over any rolling 8-year period, after accounting for management fees, taxes, and other costs.

Conservative Portfolio: The investment objective is to earn a net real return of 4.2% per annum, after accounting for management fees, taxes, and other costs.

Pensioner Liabilities: These have been valued at an interest rate of 4% per annum. This means that the pensioner assets need to earn a net real return of 4.1% per annum, after accounting for management fees, taxes, and other costs, in order to grant pension increases that match inflation.

7. Other Documents

The Fund publishes various literature on topics of importance to the member. The following Fund publications should be read in conjunction with this Member Guide:

1. Fund Profile
2. Fund Rules
3. Retirement Funds Act 2022
4. AVC Brochure
5. Death Benefits Payment Guide
6. Funeral Advance Brochure
7. Pensioners Guide

8. Checklist for a Secure Financial Future

Started your pension savings in your 20s?

You are reasonably secure provided that you maintain uninterrupted savings until retirement. However, there is no harm in saving more if you can!

Started saving in your 30s?

A minimal top-up on your normal contributions may be necessary. Check your projected retirement income and apply for additional voluntary contributions.

Had a late start?

You are at risk of receiving a very limited pension income upon retirement. In addition to topping up with Additional Voluntary Contributions, you need to review your financial plan and find ways to optimise your income while increasing your investments beyond pension savings.

At all times during your ACTIVE employment:

- Have a financial plan.
- Regularly check your projection statements to ensure that your replacement value is still on target.
- Review your Annual Pension Benefit statement each year for the accuracy of your fund credit and keep them properly filed.
- Update your beneficiary nominations annually.
- Read all educational material provided by the Fund and stay informed about relevant issues.
- Attend every Pension Fund education workshop/event.

Five to One year(s) prior to your chosen retirement age (50-60 years):

- Gather information on all your other benefits, review, consolidate and finalise your financial plan.
- Consider all your other investments and understand when the funds will be available and what the withdrawal options are.
- Review your current living expenses and project what these will be at retirement. Ensure that any long-term debts will be paid off, and if not, verify if your retirement income will cover all expenses.
- Meet with DPF appointed administrator, Mmila Fund Administrators regularly to discuss and understand your retirement benefits on an individual level.
- Attend all pre-retirement counselling workshops.

One Year to Three Months Prior to Retirement

- Notify your employer of your intention to retire.
- Complete all outstanding obligations to your employer, such as pending deductions and paperwork.
- Request a quotation of your benefits and decide on a suitable retirement option.
- Enquire about the procedures to complete your retirement application and pension option selection forms with your HR department.
- Gather all necessary attachments for your application, such as birth certificates and identity cards of dependents/beneficiaries.
- Check your most recent statement from the Fund and ensure all your personal details are accurate and up to date.
- Update your beneficiary nominations and submit your retirement application three months prior to your exit date.
- Look forward to venturing into the next chapter of your life with DPF as your partner.

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Access your member portal today!

The member portal is easily accessible and gives you your pension information at your fingertips.

portal.mmila.co.bw

For more information and assistance, contact Mmila Fund Administrators at the following locations:

- Gaborone Office: **3735267** or email **bmosimanyane@mmila.co.bw**
- Jwaneng Office: **5884849** or email **mthamage@mmila.co.bw**
- Orapa Office: **2902323** or email **lmosigi@mmila.co.bw**

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For inquiries about the Fund and its services email **ndpf@debswana.bw**
More information is available on the website **www.dpf.co.bw.**

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