BOKAMOSO

DEBSWANA **PENSION FUND** NEWSLETTER

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DPF
DEBSWANA • PENSION • FUND
Your Fund, Your Security, Your Future

New Year's message from the Board Chairman

Wangu Thipe Reflects On 2010 And Her Role In The Fund

Our roller coaster ride - IS IT TOO GOOD TO BE TRUE?

EZEKIEL MOUMAKWA DISCUSSES CORPORATE GOVERNANCE

The year 2010 was a very special year for Debswana Pension Fund.

The excitement started with the positive returns by the Fund's three investment portfolios barely a year from the global meltdown that had previously affected the Fund Asset Base.

We successfully launched an in-house administration system after a decade outsourcing administration services. This milestone is set to take our business to new heights once fully implemented and running.

The Fund has made a commitment to its membership to render smart services, allowing them access to their information, a fast and more efficient benefits pay outs and improved service delivery.

In July when the world celebrated the successful FIFA World Cup tournament, the first to be held in Africa, we embarked on a nationwide tour to all 15 branches of BADIRI BA MEEPO PENSIONERS ASSOCIATION BBMPA countrywide.

Complimentary to this in September at a glamorous conference organised by the Institute of Retirement Funds (IRF) Debswana Pension Fund "did it again" winning a Communication Challenge Award for its recognition in promoting and advancing the interests of pensioners in the society though the pensioners association (BBMPA.)

The Board of Trustees in another development gave the Fund the green light to a new revamped and revised logo in October. This presented another opportunity for DPF to shine and position itself well in the industry.

The excitement did not deter our mendate to keep our valuable members well informed and educated as we managed to visit all operations for our quarterly member education campaigns. We visited Orapa, Letlhakane, Damtshaa, Morupule and Jwaneng mines respectively.

All these achievements were indeed a magical time for the Fund and a fitting end to the eventful year of 2010.

Enjoy this publication and have a fabulous new year!

If you have any comment please contact me at bokamoso@dpf.co.bw / ikgosidiile@debswana.bw

NEW APPOINTMENTS

KESEBONYE S. MUDZINGWA

Kesebonye Selwana Mudzingwa has joined Debswana Pension Fund as an **Accounts Assistant**. She was previously employed by Debswana Jwaneng Mine. She holds Association of Accounting Technicians qualification from Botswana Accountancy College.

She is a mother of one, a handsome boy named Tumelo.

DINEO MMELESI

Dineo Mmelesi has been promoted to Accounts Supervisor - Benefits Payments

Asked how she feels about her position, Dineo says "it has brought me closer to our clients, assisting pensioners and helping members is very satisfying. I am loking forward to serving them better."

WEDDING VOWS

"To have and to hold from this day forward, for better or for worse, for richer, for poorer, in sickness and in health, to love and to cherish, from this day forward until death do us part"

Join Debswana Pension Fund in congratulating the Chairman of the Investment Committee Mr Calistas Chijoro and Mrs Masego Chijoro for walking down the "wedding aisle" in 2010.

New Year's message from the Board Chairman

Dumelang Bagaetsho,

On behalf of Debswana Pension Fund Board of Trustees, I would like to take this opportunity to wish all of our valuable members, staff, friends and partners a prosperous new year!

Your loyalty and contribution to the Fund in the year 2010 has been tremendous in helping us realise our targets and achievements. I hope this continues into next year and beyond.

I am pleased to announce that the Fund had a successful year both operationally and in the investment markets. We started implementation of the End to End Benefits Administration system, which once completed, will result in more efficient pension administration processes. The Fund recovery following the economic recession also bears testimony that the Board, staff and partners of Debswana Pension Fund continue to exercise due diligence and fiscal responsibility in looking after the members' finances. I would like to thank all partners and service providers, without whose support we would have not achieved all these.

I would encourage Fund members to continue to prioritise their pension savings for a better retirement. You should all avoid cashing out your benefits before retirement and preserve them in order to earn valuable returns on your investments. An important issue of note is that members' Nomination Forms must be regularly updated to ensure that your rightful dependants are able to enjoy pension benefits in the event that you are deceased. Over the years we have realised that there are still many members that do not update their nominations regularly; I would urge all of you to include this as part of your 2011 New Year resolutions.

Regards,

Tabake Kobedi
DPF Board Chairman

Our roller coaster ride -
Is it too good to be true?

As DPF adds yet another IRF communication award to its glowing collection, DPF Communications Manager, Agatha Sejoe reflects on what this pattern of unending success means for the Fund, the industry and perhaps any other onlooker (sceptical or not) who may be wondering, 'how do they do it?'

In his book titled '*Creating Corporate Reputations: Identity, Image and Performance'*, communication and marketing guru Grahame Dowling writes 'market researchers have known for some time that consumers only ever buy two types of things from any organisation; benefits, and/or solutions to their problems….in consumer and industrial markets, astute managers use the benefits and/or solutions to problems desired by their customers as the basis for segmenting their markets…managers need to understand what groups of stakeholders are important to their organisation, what type of relationship they have with them and how these relationships affect their beliefs and feelings about the organisation'

Many of my colleagues in the profession will look at the above citation and easily relate with it because it forms the core of what we do on a daily basis. When we ultimately measure the impact of our initiatives, the underlying question is always, have we met the communication needs of our stakeholders? On face value, achieving this seems like an uncomplicated process, however when applied within the typical constraints common to most business environments, it becomes a tough, balancing act, particularly where resources are limited.

I left Gaborone for Johannesburg to attend the annual IRF Conference with three of our Trustees. Throughout the trip, the bit of anxiety I had mainly came from my desire for the Trustees (who were attending the conference for the first time) to have a good experience and find it useful. I was also looking forward to discovering new industry information as usual and identify new best practices which we can continue to emulate and help our fund to grow further. Of course the thought of another feat at the communication awards did cross my mind, after all the odds were on our side given our track record at the event, but it was cautious optimism as usual.

Whilst I recognised the possibility of another win, I found myself trying to weigh the relative importance of us continuing to win these awards and how much validation we can continue to extract from them before we reach a point where their value add and contribution to our reputation stagnates?, I asked myself, as we continue to receive them, where does the real proof of our success lie if we were required to produce it, and what do we want it to be? It goes without saying that the IRF awards certainly add value to our image as a market leader, however, they also challenges us to equally ensure that the initiatives that we get these awards for do actually make tangible impact on our members, and in Dowling's words 'solve their problems'. We also need to ensure that the necessary measurements and the feedback that further validates the awards themselves is available for scrutiny when called upon. One illustration of this amongst others, is that our annual deferred and pensioner member surveys have in the past number of years since their implementation given us high customer satisfaction ratings rendering us more deserving.

I recall the morning after the night of the awards one of my close industry colleagues here in Botswana who was also attending the regional conference asking me a very thought provoking question, 'How do you guys manage to do it year after year? It's unbelievable. Are you just extremely lucky or Is it a matter of having a lot of resources at your disposal for your communication plans? After all the foregoing perception back home is that Debswana is very well resourced?' In hindsight, I realise that my learned colleague was saying this in reference to the perceived wealth of the founding employer member of the DPF, the mining giant, Debswana.

The question took me aback a little as I had never really imagined it in that manner, but anybody could be forgiven for making that assumptions considering what a huge brand Debswana is, and more to the point, an assumption like that would not be unfounded either because as a matter of fact, the DPF, from its formative years until 2006, was actually administered as a part of the Debswana operations in the Finance division, and of course funded to an extent from Debswana's pocket. However with the Fund now outsourced and DPF members paying for their own costs through investment returns, the DPF budget can only go as far as its business model allows. The current business model is nothing out of the ordinary as most pension funds do and should operate in that manner. Consequently, the Fund has to maintain tight controls on its operational costs to ensure that the cost per member ratio does not exceed benchmarks dictated by current economic realities at any given point.

Now back to my colleague's question, this was really a tricky one, how does one answer it as honestly as possible without seemingly blowing their own horn? I pondered for a bit, and even considered giving him a humble grin and artfully change the topic, however my passion for the discipline took the better of me. Also, because of the utter genuineness that the question was presented with, I felt obliged to give an answer as candidly as I possibly could.

As simple a question as it was though, it awoke an ongoing debate in my mind which poses the question; as business communicators in Botswana, are we giving the stakeholders what they need? How well do we take client needs into consideration when we develop our strategies? Is it at all sufficient? Who sets the communication agenda, the client, the media houses or us? When we select the methodologies and vehicles that we use for our communication, at whose convenience do we do so, the client or us? How many of us evaluate and incorporate best practices in the formulation of our strategies, or do we rely on advertising agencies (who in most cases will be biased towards their bottom line and prescribe strategies that meet their own objectives) to dictate what is important for our audiences? The question somehow gave me a small platform for me to share my thoughts on what I think as business communicators we really need to be doing to help our corporations provide meaningful communication to their stakeholders. Fortunately what also counted in my favour as well is the fact that the IRF changes its panel of judges with every new competition hence there is very little or no room for bias.

In my humble effort to answer my friend's question, I tried to give him my version of the reasons why I believe IRF continues to see us in this light, and that is because we have made a deliberate effort to ensure that our communication strategy is member focused and continuously evolves to incorporate solutions for the needs that we identify from time to time for our stakeholders, this being informed by our overall philosophy as a Fund. At the risk of going into a lecture, I told him of my experience over the course of my career of the mistakes I observed that we often make as business communicators which end up disadvantaging the audiences we serve, one of them being the tendency to adhere to conventional communication tactics and vehicles simply because they are tried and tested but with very little consideration as to what degree the communication messages we send through those methodologies will reach its intended audience and produce the desired behavioural change.

As communication practitioners operating in a highly profit driven industry, we often carelessly absolve ourselves from our role as the custodians of our clients communication needs, and to their detriment we fail to fully evaluate the competencies of the media houses that we source services from and in the end become prone to allowing our communication strategies to be prescribed by third party agencies who, under normal circumstances should not be dictating our agenda,but rather be developing concepts and proposals in line with the creative briefs that we give them based on our thorough research, which would be informed by our organisational needs.

Our roller coaster ride - IS IT TOO GOOD TO BE TRUE? *(continued)*

Although some Agencies are fully capable of doing what is required, we often fail to differentiate between those who can and those who cannot hence we may entrust our organisations to people that do not put sufficient effort in understanding our markets and end up receiving campaign proposals that are more self serving to them and less inclined to meeting our communication objectives.

At this point it is important to emphasise that my arguments were by no means a suggestion that the DPF has the ultimate communication model, but was rather aimed at highlighting the few considerations we have made that helped us to come up with such material that we have produced. The award in this context signified an aspect of our communication strategy that is relevantly addressing the needs of a specific sector of our stakeholders, and this encourages us to do more to achieve the same for other stakeholders for whom we may not be doing enough, but we can at least be proud that we are making progress.

To put the matter further into perspective, the award we received this time around was in recognition of the DPF efforts to acknowledge pensioners as an important stakeholder in our operation and our attempt to find a useful platform for their ongoing education and active participation in Fund developments. The DPF registered and launched a pensioner association named Badiri Ba Meepo Pensioners Association in 2009 on behalf of its pensioners and deferred members. Whilst pensioner associations are a common phenomenon across the world, the majority of these operate with the single mandate of advocating for pensioner rights, yet with very little or no interaction between the members of the associations and their pension Funds.

There is absolutely nothing wrong with such an arrangement especially if the Association is constituted that way however the DPF found it opportune to use this vehicle as a platform for continuous dialogue with its retired members, who in the past did not have the opportunity to represent themselves in this manner. Whilst the Association will still maintain its autonomy, The Fund has established a relationship with the Association and further designed a member education and consultation program that will be implemented through the Association, culminating in bi-annual tours across the 15 branches that have been set up. The Fund has also pledged support for any Fund raising and/or charitable activities that the Association members may choose to embark on. Through this initiative, the DPF is guaranteed continued dialogue with its members, and this will go a long way in helping achieve its objectives. In our communication strategy, we outline the following key principles that guide our communication; That all:

1. Communication is factual and presented in simple language.
2. Communication is looked upon as involving a dialogue with others.
3. Communication is designed in a manner appropriate to its audience.
4. Communication exploits the developments and improvements of new technology.
5. Communication is planned, coordinated and evaluated.

This time around, principle 2 and 3 won it for us. With the anticipated developments for 2011, we hope that we can add another one to our growing collection and we look forward to many more achievements in all sections of our operations.

DPF launches a new Corporate Logo

The search for a suitable DPF logo was a long and arduous process that involved a lot of research and approval by the Board which ultimately happened in September 2010 replacing the fund old logo which has been in use since the early 2000.

Finding an appealing logo, defining DPF brand and services with a sentimental attachment with our members and staff was the ultimate goal - that is why aw are proud once again proud and confident to present Debswana pension funds refurbished modernised emblem and a symbol dynamism and growth .

Wangu Thipe reflects on 2010 and her role in the Fund

THE BALANCING ACT Women continue to scale the heights of control and influence in Botswana

"If you wait to do everything until you're sure it's right, you'll probably never do much of anything." Win Borden

Wangu Sarinah Thipe has been the Operations Manager (O.M) for Debswana Pension Fund (DPF) for quite sometime now.

A lady with tapestry of expertise, Thipe was appointed by the board of DPF to be the acting P.E.O whilst at the same time she remained the O.M. from August 2010 to January 2011.

Thipe admits that it takes certain steely quality including tact and determination together with intellectual and managerial expertise to be the OM and simultaneously doubling up as the acting PEO of an organization like DPF which controls over 3 billion Pula retirement fund owned by employees of Debswana and its subsidiaries. As much as it is taxing to hold the two top senior positions in the organization, Thipe ran both positions exceptionally well.

"Although the acting PEO position has its own challenges, it shows that the board and my colleagues trust and have great confidence in me, it is a sign of professional growth and maturity, it is a challenge which I welcomed and have given all my might to make sure that the fund succeeds in meeting its long term goals and mission," Thipe said

"You see, as the acting PEO, I don't make recommendations any more like I used to, instead, recommendations are forwarded to me and have to make final decisions without flinching," Thipe continued. According to Thipe, all this has been possible due to the unwavering support from the board chairperson, board members and her colleagues at the Fund.

Decisions ought to be definitive as they affect members' future life and their retirement funds. "Though once in a while I meet with experts in key areas or call for advise and motivation, I have to come up with new strategies to steer the fund to greater heights," she said. "Being an acting PEO is a strategic role more so compared to the roles in operations. It is all about openness, about transparency, about optimism and about being able to execute," she says.

One has to plan and prioritize, one has to know what is crucial, knowing what is most urgent , and these factors give Thipe maximum balancing results in running both positions.

"I have been able to plan and execute both roles well, enough to maintain a balalnce between work and family life. Of course there are moments when one is fatigued but that is normal, everybody gets tired sometimes, with or without a job," she said.

Thipe however admitted that there are challenges which she faces which include; ensuring ongoing progress of the current implementation of benefits administration as well as ensuring board duties are addressed whilst maintaining business as usual. Asked about the expectations on the administration system, Thipe said that the system will improve services, reduce turnaround time, enhance efficiency, effectiveness and enhance controls. Reporting will be faster and audit queries will be reduced. So far productivity has improved already and functions are now fully automated.

The system will basically open and improve ways of communication which is highly crucial between members and the Fund. The system is initially costly but it will ultimately reduce the cost per member.

Thipe agrees with reservations to the recent announcement by NBFIRA that all fund managers should look towards investing majority of their funds (70%) in Botswana markets.

She believes that it's the right direction for Botswana Fund market but it should be done with a lot of planning. "First of all there has to be a buy in, it should be agreeable within and without the industry. Research on viability has to be done properly and clearly as this is a very sensitive industry where people lives are on line. Markets have to be analyzed and see if there are sufficient investment instruments locally. "After all we are dealing with third party funds here who have to be constantly reassured that their investments are secure, liquid, flexible and growing. These are the issues to be seriously taken into consideration; otherwise investing most of the funds back in the country is a noble idea as it will create jobs and bolster the economy in general."

Thipe's conclusion is a barrel of advice to members; that members should think and plan about their retirement plans; they should constantly seek advice from the Fund. They should assist in voluntary contributions towards pensions. She strongly advises members to acquire property assets whilst they can as property is a passive income which not only gives one a rental income when they aren't work active but also appreciate in value.

Mr. Ezekiel Moumakwa - Chairman of DPF Audit and Finance Committee talks about corporate governance and his role as the Chairman of this committee

"To lead the people, walk behind them." -- Lao Tzu

Ezekiel O. Moumakwa is currently the Chairperson of the Debswana Pension Fund (DPF) Audit and Finance Committee. He directs the committee on issues pertaining to the financial aspects of the Fund. He also works for the Ministry of Minerals, Energy and water resources as the Deputy Permanent Secretary/ Financial Advisor- Projects.

His role at the ministry is to advise on projects including but not limited to Mmamabula, Morupule Power project, CiC Energy, etc. He advises on matters like what type of funding is appropriate for a project. For instance, does a project need government funding or private equity funding, risk benefit analysis of projects, etc.

Asked on his roles at DPF, Moumakwa said that as a the Chairman together with other board members, his committee helps DPF establish adequate and effective internal controls and procedures that conform to regulatory guidelines and industry practices. A control is a set of instructions that audit and finance chair and his team put into place to prevent financial losses in operations. Effective controls provide proper solutions to control weaknesses. An adequate control explains in detail the steps necessary to perform tasks and report problems. He also ensures that the organization's financial statements are accurate and complete.

Moumakwa steers the audit and finance committee to achieve its objectives as set out in the terms of reference. He also makes sure there is integrity on the overall resources. Part of the committee role is to make sure that funds are appropriately distributed and or shared amongst members. Budget preparation and realization is also one of the pivotal roles the chair and his committee play.

Moumakwa says that his committee faces several challenges some of which include running ahead of events and making sure that risks are radar picked on time and putting measures well in time to mitigate problems that may crop up. It is also difficult for the committee to meet as scheduled as most of the members are often busy with their fulltime jobs. "We are challenged by time factor in performing our duties," Moumakwa said.

Continuous updating of documents, for example documents on corporate governance, is also a challenge to the committee as this has to be done time and again continuously.

On his achievements Moumakwa and his team successfully reviewed the terms of reference for the committee. They also came up with proposals and suggestions regarding the tender review committee. They made sure audits are in adherence to procedures and are of lesser risks. Asked to explain what Corporate Governance is , Moumakwa said this is the way things are done, how the Fund is run.

"It is the way we relate with the secretariat, other committees, the members and other business partners," he said. It is about direct communication procedure amongst all parties concerned in the organization.

We ensure that we communicate clearly and make available budgetary issues, the amount of money we have for the Fund, what we are doing with the money amongst others, and this is all corporate governance," he explained. Corporate governance is about perfecting inter relationships, it is a continuous process without an end and it is work in progress. It is a process where each and every division is striving to achieve and doing best to reach a level of excellence.

On the regulator NBFIRA, Moumakwa said it couldn't have come at a better time in instilling good corporate governance which was lacking within the industry. It means institutions have to be spot on with whatever they do and must be within the regulatory framework or else they ship out. However the Act is under review to bring it up to scratch as it is old and has been overtaken by events. Asked to comment on the Funds' post recession performance Moumakwa explained that the Fund has two sources of making money- through member contributions and through investment returns. Debswana's downsizing exercise hasn't helped the Fund much as this means a significant decrease in membership thus a decline in contributions.

His concluding remarks, Moumakwa say, "Day in day out we strive to protect the 3 billion pula asset base. We are always making sure that we continuously work harder to increase the net take home for members so that they eventually retire honourably," he concluded.

Cashing in breaks your nest egg!

How to preserve your savings until retirement

Too many people treat their retirement savings like a bank account from which they can withdraw money to spend on other things. The result is poverty in retirement. In this article, we look at what you should do to ensure that you benefit from saving for retirement over the long term.

One of the major causes of poverty in retirement is that people cash in their retirement savings before they reach retirement. What makes it worse is that there are instances where people resign from their jobs simply to get their hands on their retirement savings so they can use them for other purposes, without understanding the long-term implications of doing this.

Normally, retirement fund members may take a percentage of their retirement savings as cash from a retirement fund only if they leave their job for whatever reason and thereby resign from the fund. You may not access the remaining balance of your retirement fund before the age of 50. Alexander Forbes SA research shows that the average employee will have about seven jobs over a 40-year working life. The evidence is that on average, depending on their age, only between 10 percent and 30 percent of people preserve their retirement savings every time they switch jobs.

Alexander Forbes SA has found that most retirement fund members retire from their last fund with as little as between five and 10 years of pensionable service; 12 percent have between 10 and 15 years of pensionable service; 14 percent have between 15 and 20 years; and only seven percent have between 35 and 45 years. On average, pensionable service of the last fund prior to retirement is 19.5 years for men and 15.8 years for women.

The effect of this is devastating. Assume you are a member of a retirement fund that provides you with a pension equal to 80 percent of your final salary after 40 years of service. If you halve the years of membership, you will receive a pension equal to only 28 percent of your final salary. The reason that what is called your replacement value drops so severely is because if you save for 40 years, 60 percent of your final pension benefit will come from the capital, and the returns on what you saved during the first 20 years (given the effect of compound interest).

The consequences of cashing in your retirement savings before you reach retirement include:

- You will not have sufficient money on which to retire.
- You will have lost the power of compounding growth on the contributions (remember that compounded growth is most beneficial for the earlier contributions.)
- The withdrawal is subject to tax. Also, you have lost the benefit of earning returns on money that has been paid as tax. The advantage of tax-incentivised retirement savings is that the longer you save, even into retirement, the more you are making on money that would otherwise be paid as tax.
- Your dependants could pay the price. If you die before you reach retirement, your dependants will receive a reduced income.

The better options to taking your savings as cash
If you resign, are fired or are retrenched, you have a number of options that are better than taking the savings from your occupational retirement fund as cash. In order of best possible solution, these options are:

Choice 1: Defer your WHOLE pension fund savings. You are able to remain a member of your retirement fund as a deferred pensioner. Once you reach normal retirement age in terms of the fund's rules, you can then retire. The advantages of remaining a member of your fund are that there are no tax consequences and no reinvestment costs.

Choice 2: Withdraw below the maximum - ONLY what you need. It is not always necessary that you withdraw to the full limit of 33.33% or 25%. However if you are compelled to make a withdrawal, your pension Fund will allow you a lower withdrawal percentage within the range from as little as 1%. Most members are not aware of this and end up cashing money that they do not need, which then results in wastage and lost opportunity

Choice 3: Take early retirement. If you are 50 years or older, you are allowed in terms of the law to take early retirement. Taking early retirement could be the best option in terms of tax, particularly with regard to the taxation of a lump sum withdrawal, because the tax-exempt portion is far greater on retirement than on early withdrawal. But if you retire from 50 instead of 60, you are losing up 10 years during which you could have lived off the income you earn rather than your retirement savings. You will also have lost the investment returns that you could have earned.

Choice 4: Transfer your savings to another approved fund. Only if necessary, the rules of most occupational retirement funds allow you to transfer your accumulated retirement savings from your previous fund to a fund that you join. There will be no tax consequences or reinvestment costs, however, you need to make due consideration of future returns on your investment in terms of which fund your money will be best placed to grow better. It is in your own interests to obtain proper financial advice on how your retirement savings should be invested.

IRF News Bulletin (Edited by DPF 16 Oct 2010)

The reason why Yuppies retire poor

MOST PEOPLE MISS THE INCREDIBLE POTENTIAL BENEFITS AVAILABLE TO THEM THROUGH THE POWER OF COMPOUNDING.

Ask people the following question: "You have a small worm, 10mm long, which grows at only 10% each day, how long will it be after 1 year?" Don't use a calculator, answer based on intuition.

On day one the worm will grow by 1mm. Without compounded growth, after 365 days of 1mm growth the worm would be 375mm long, i.e. 37.5cm. People's answers will include their intuitive adjustments for how much compounding the growth would contribute to the final length. You're likely to get answers ranging from a meter or two, to a couple of kilometres. The correct answer would be 12.8 billion kilometres - more than the distance from the sun, past all the planets, all the way to Pluto ... and back!

Most people get this spectacularly wrong because our intuition is very inaccurate when it comes to the effect of compounded growth. Yet, (sadly) most people plan for retirement using similar intuitive assumptions on compounded returns. The (even more sad) reality is that most people miss the incredible potential benefits available to them through the power of compounding, as two (all too familiar) examples will illustrate:

Example one - that unbelievably expensive first car

Heard this before? Sam and Pete are both 23 years of age, have just graduated from university and start their first jobs with decent pay. None have major financial commitments or families to take care of. Pete decides to use this time of "financial freedom" to purchase his first new car, a bright red hatchback with a 1.8 litre fuel injected turbo motor. After adding a few extras, the car costs R300,000. In order to minimise the monthly cash flow, Pete finances the car over 5 years with a 45% residual, at a monthly instalment of R5,300. After adding insurance costs, Pete's monthly expense on his new car is R6,000. Sam is tempted to do the same, but hears about the value of early life savings. He does the sum on compounded returns and decides to stick with his old varsity Beetle for a while and to rather invest the exact same amount of money (R6,000/month for five years) in an equity portfolio. He decides to leave this investment in equities untouched to grow until retirement.

After 5 years, Pete wants a new car and (surprise-surprise) finds the trade-in value on his red hatchback to be exactly equal to his residual. Sam buys the exact same new car than Pete, resulting in their new car instalments being exactly the same. If from that day forward their purchasing decisions, lifestyles and monthly expenses were to be exactly the same, the difference between their retirement savings would all be due to Sam's decision to delay the first purchase of a new car by 5 years and to invest the equivalent amount of money in an equity portfolio. If equities return 6% in real terms,

as they have for the last 100 years and inflation averages 6% as it has for the last 10 years, then at retirement (age 63) Sam will have R30 million more than Pete! That is R3 million in today's money - i.e. at age 63 Sam will have an extra amount capable of purchasing at that time the equivalent of what R3 million can purchase today. Poor Pete! Who knew that his first hatchback would turn out to be SO expensive... Smart Sam!

Note: As a young first time car owner, Pete will probably struggle to find financing and insurance at rates as competitive as used in these examples. He'll probably end up spending either more or he'll buy a cheaper car for the same monthly spend.

Example two - that very expensive bad habit

Apart from the first car, Pete and Sam's spending habits were not identical after all. Pete had also taken up smoking while at varsity. He smokes a packet of cigarettes per day at a current cost of about R25/packet.

Sam decides to contribute an additional amount of money to his equity portfolio, equivalent to what Pete is spending on cigarettes, i.e. just over R9,000/year and to keep on doing so for as long as Pete keeps on smoking. Since smoking is seen as a luxury evil and attracts an ever increasing "sin tax", let's assume that the price of cigarettes will end up growing slowly by 1% more than inflation every year.

If Pete never gives up smoking, then with the same assumptions as before, at retirement Sam will have an additional R16 million more than Pete, or R1.6 million in today's money. Net effect in real terms: Sam R4.6 million, Pete zero. Poor, poor Pete! Guess who's going to retire in the gated village and who's going to end up living off his kids.

The early bird does indeed catch the worm

These examples are not far-fetched. These are common choices made around us every day and the assumptions on equity returns are in line with historic reality. At 6% p.a. real growth, every R1 invested at age 23 grows to more than R10 in real terms at age 63. In other words you contribute less than 10% of the final purchasing power of that retirement savings - compounding gives you the other 90% (for "free")!

In comparison, every R1 invested at age 43 grows to just over R3 at age 63 (again in real terms). And any R1 saved at age 53 will only grow to R1.79 by age 63, so for late savings the contribution from compounding is less than the actual savings - a far cry from the 10X increase experienced by the early saver.

Just as with guessing the length of the worm, most people completely misjudge the significant future value of early savings and this is where they get their retirement planning very wrong. They argue that they'll spend early on in their careers, while their incomes are relatively low and that they'll save disproportionately later in life once their incomes have increased. Their intuitive expectation is that a significant increase in savings later in life will offset the much lower savings they are capable of when they are young. But now we know how well those intuitions work... Poor Pete(s).

Every cent saved at an early age benefits so much more from compounding that for most people it end up being near impossible to replicate that same potential value through later savings.

In addition, late investments face bigger risk from market timing, since equity returns are volatile and a high entry point could detract meaningfully from short to medium term equity returns (the past ten years in the USA being a good example). But that risk decreases for long investment periods, providing yet another reason to invest early. Our little 10mm worm will only grow to Pluto and back if it grows at a compounded rate for long enough. Unnecessary and (especially) early spending are like birds pecking away at our investment harvest. Spend too much early and see if your worm can avoid becoming bird feed... So, where do you want your retirement funds to grow to? Source: IRF Bulletin 21 October 2010 (Moneyweb, By Frederick White). *IRF News Bulletin (edited by DPF) 16 October 2010*

C.O.E FORM AND ITS IMPORTANCE

By Aletta Tshiamo

Certificate of Existence C.O.E as it is commonly known is a very important form in the Fund. It is a tool used by Debswana Pension Fund to verify the existence of all the pensioners on the fund Payroll.

The form is sent out to pensioners annually to be completed, signed and returned to the Fund before the 31march of every year. This is done before the Commissioner of Oaths who include but not limited to the:

- Chief, Headman,
- District Commissioner,
- Debswana Pension Fund Official
- Police Officer

Once the form is completed and signed it should be mailed or delivered to DPF offices as the Fund does not accept faxed copies. It is DPF policy to ensure that this is done to protect the benefits that may be due to the pensioner's beneficiaries in case they are deceased.

Kindly note that failure to submit certificate of existence will result in a pensioner not receiving their monthly payments until the Fund has received proof that they are still alive. Pensioners are reminded to do the form on time before cut of dates.

Events in Pictures: IRF 2010

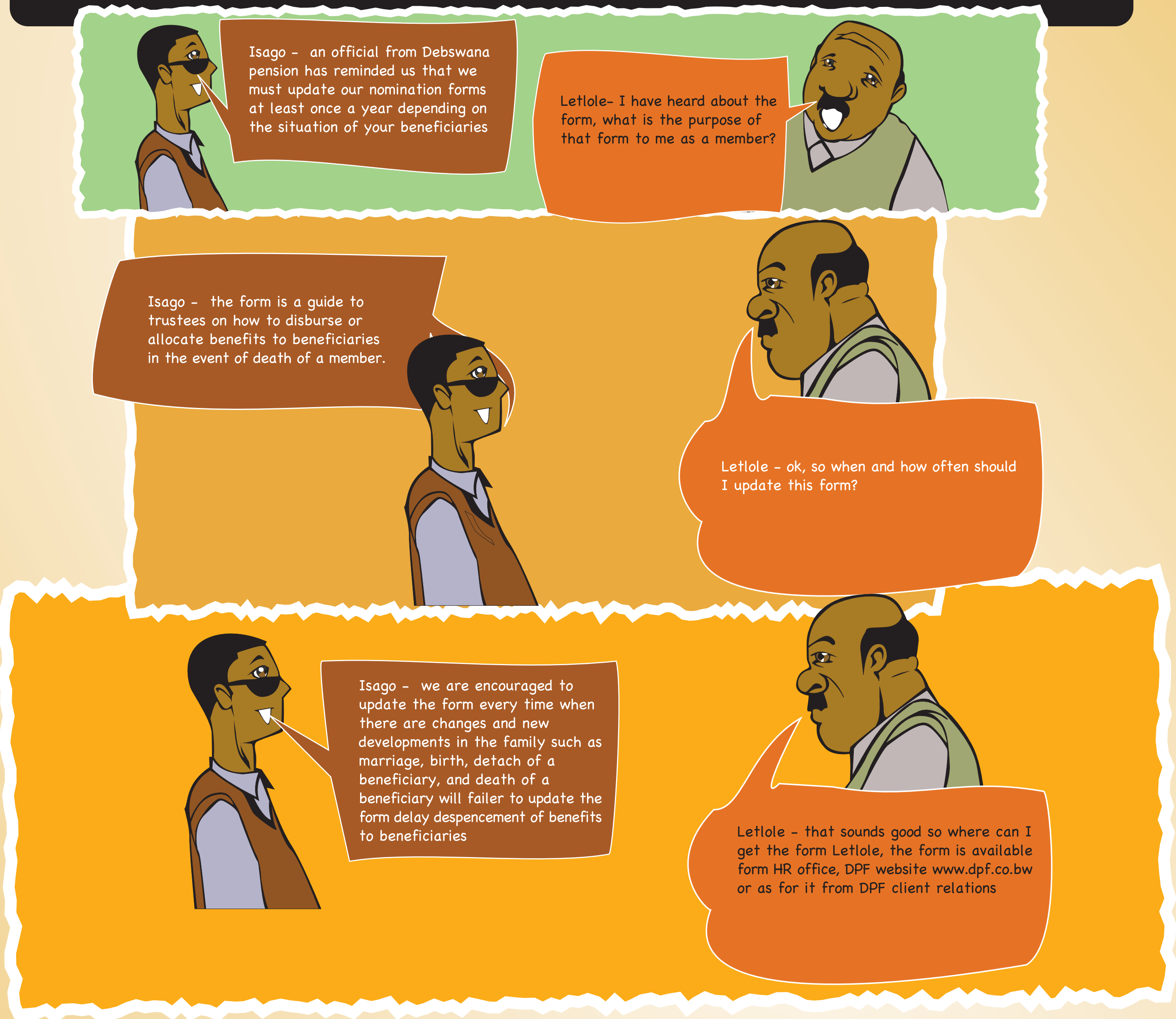
Sejoe(second from right) poses for a photo with other award winners at the conference.

BOKAMOSO
COMPETION WINNERS

Shathan Chaja P O Box 32 Sebina	Soonyane Ngade P O Box 29 Rakops	Vivian O Kesupile P o Box 209 Pitshane	Lenyalo Mompe P O Box 767 Mmadinare	Gaolebe Tshupelo P O Box 158 Oodi	T.P Mothei P O Box 265 Tonota
Tsabatho Raditloko P O Box 749 Molepolole	Keamogetse Modimoothata P O Box 10390 Mahikana Ward Kanye	Joseph Mantries P O Box 66 Khakhea	Collet M. Oagile P O Box 30847 Francistown	J. Mphinyane P O Box 42 Ramokgwebana	

ISAGO & LETLOLE

Nomination of Beneficiaries Form



COMPETITION QUESTIONS

Competition Questions

1. Who is the interim Principal Executive Officer of DPF?
2. Which important committee does Mr. E. Moumakwa heads in DPF?
3. How much is the current Fund credit in billions?
4. Name the award that DPF recently won?

FUND CONTACT DETAILS

The Principal Officer, Debswana Pension Fund,Ground Floor Visible Edge (BP Building)

The Mall P/Bag 00512 Gaborone, Botswana

FUND OFFICES

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Fax: 393 6239
Toll-free (landline): 0 800 600 681
Email: bokamoso@debswana.bw

FUND CONSULTATION HOURS

Monday - Friday
0800hrs - 1645hrs (Including lunch hour)

Our Vision

To be the preferred provider of retirement fund services in Botswana

Our Mission

We will provide members with competitive and sustainable retirement benefits through:

- Prudent management of member funds
- Efficient administration of member records
- Provision of focused communication

Our Values

1. Innovation
2. Trust and Integrity
3. Value Oriented
4. Member focused
5. Quality focused