Bokamoso

Vol. 1 | June 2020

DPF
DEBSWANA · PENSION · FUND

Inside

Debswana Pension Fund

Debswana Pension Fund
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Retiring after the Corona Virus Pandemic

The COVID-19 pandemic has affected every aspect of our lives, and for most people that includes their finances.

Whether they are strapped for cash in the immediate term, or worried about their job security longer term, perhaps an area less examined is pensions. For some, retiring and saving for one's pension seems a long-term issue to address, but this is not the case for those coming up to retire, or pensioners in drawdown.

Both the reduction in or loss of dividend payments and the dramatic falls in the stock market will have implications for all of us, wherever we are in the pension landscape.

For many newer investors, the recent stock market crash will be their first experience of a big fall in the value of their investments, and this may have dented their confidence.

Data from the latest Moneyfacts UK Personal Pension Trends Treasury report, showed that the impact of the coronavirus pandemic on global stock markets had caused the average pension fund value to plummet by 15.2 percent in Q1 of 2020, the worst quarterly performance on record, even surpassing the falls seen during the global financial crisis of 2008. So it is not surprising when Steve Webb, partner at consultancy LCP, says the biggest investor reaction he has seen is fear of further falls.

"Although those who sell up now are crystalizing their losses, some people are so afraid of further losses that they would prefer to get out of the market now, purely, so that they can be certain of where they stand," Mr. Webb adds.

As a result, advisers are working many hours to reassure clients and maintain continued communication with their clients.

Market stress

Andrew Dixon, Head of Wealth Planning at Kleinwort Hambros, says although he is not seeing clients looking to de-risk their portfolios, he acknowledges "it is still early days". Mr. Dixon adds. Every adviser needs to really understand their client's objective. If you are a long-term investor with no need to draw on your investments, the conversation is likely to be different to a client who is living off of their investment income.

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Ogomoditse G. Letsholo

Editorial

Since the outbreak of COVID-19, we have been compelled to lead our lives under a new normal. We have been forced to adjust to new living conditions such as wearing of masks when in public areas and washing our hands frequently or using hand sanitizers quite often. Using hand sanitizer used to be viewed as a thing for the privileged and not a necessity to help fight a deadly pandemic, indeed times are changing.

Botswana recorded its first confirmed Corona virus on the 30th of March 2020, even though the rest of the world was experiencing the full impact of the pandemic at that time. Many countries went through lockdown to fight the spread of the disease, Botswana was no exception and our government has assured its citizens that it will do all that is necessary to curb the spread of the virus.

In this issue of the Bokamoso Newsletter, we have covered articles that prompt each Pension Fund Member to view their investment in a different light due to the impact of COVID-19 on the financial sector. Since Pension Funds invest seventy percent of Members' funds offshore, the Funds are bound to feel the negative impact of the pandemic the most as the international market has been heavily affected by the outbreak of the virus. We need to start viewing money in a different light and understand the impact of lack of performance on investments on our retirement plans.

As we continue to monitor the situation, DPF has concluded to revisit the Member Engagement Plan it had developed at the beginning of the year. The usual annual engagement events such as Deferred Members' Stakeholder Engagement meeting, Member Engagement Tour and Pensioner Conference are currently on hold as we are trying to identify how we can proceed with these events without breaking social distancing requirements needed to help fight the spread of the Corona Virus. We are mindful of the current situation as it stands and will keep our members informed.

Our ongoing retirement planning sessions will be limited to few members at a time and where possible, we will consider using other available communication tools. We hope you will find the newly established mobile Portal App user-friendly and accessible. This will enable you to access your Pension record whenever and wherever you are! For more information on the mobile Portal App, please send an e-mail to portal_queries@mmila.co.bw.

Please follow us on **Facebook** and **Twitter** share with us your thoughts. We are eager to hear from you.

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Announcements

The DPF Board of Trustees resolved in Quarter 4 of 2019 to reconstitute the Committee membership. Furthermore, the Committee formerly known as Audit Risk and Finance is now to be known as the Audit and Risk, the Finance aspect is now reported at the Investment Committee which is now referred to as the Investment and Finance Committee. These changes are in compliance with the Regulatory requirements.

The Board Committees are constituted as follows:

Audit and Risk Committee

Ms. Lynette Armstrong
Ms. Lebogang Kwapa
Mr. Lapologang Letshwenyo
Mr. Reobonye C. Abel
Ms. Claire Busetti

Benefits and Communications Committee

Mr. Reobonye C. Abel
Ms. Lynette Armstrong
Ms. Lebogang Kwapa
Jwaneng Trustee elect*

Investment and Finance Committee

Ms. Lynette Armstrong
Mr. Lebogang Sebopelo
Mr. Lapologang Letshwenyo
Ms. Lebole Mokoto
Ms. Claire Busetti

Nominations and Remunerations Committee

Ms. Lebole Mokoto
Mr. Lebogang Sebopelo
Mr. Potoko Bogopa
Jwaneng Trustee elect*

These sittings began in Quarter 1 of 2020.

*The Jwaneng Trustee elect is a new member that is still undergoing Regulatory vetting following the end of the incumbent Jwaneng elect Trustee. The Trustee will join the Committee meeting after Regulatory approval.

The incumbent Jwaneng elect, Ms. Esther Palai's term ended on the 31st May 2020. Ms. Palai started her term as a Trustee elect in June 2015. During her tenure, she served as Chairperson of the Benefits and Communications Committee. Management would like to thank Ms. Palai for her dedicated service and wish her well in her future endeavors. The Fund and Trustees look forward to working with the newly elected Jwaneng Trustee.

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Orapa Office
Tel 290 2323 | Whatsapp line 77 895 683

Jwaneng Office
Tel 588 4849 | Whatsapp line 71 994 354

Financial and investment lessons from COVID-19 - Botswana context

COVID-19 has been the black swan event that has caused massive social and economic disruptions across the world. This Global Pandemic has brought the world to a halt in an unprecedented manner not experienced in recent living history. The virus has caused global havoc, economies have come to a standing halt, governments and Central Banks are scrambling to save their economies, and for global citizens, life as we know it has been shaken to its core. COVID-19 has shown the world's its weaknesses and shortcomings in handling an unprecedented challenge.

Firstly, from a Health Care perspective, the virus has claimed many innocent lives and governments are going to need to adopt and implement learnings moving forward. From an economic perspective, the Corona Virus has affected millions of individuals around the world, people have lost their jobs and livelihoods, and entrepreneurs and small businesses have suffered immensely. As individuals, this pandemic has demonstrated that it is imperative to focus on ways of strengthening and bolstering one's financial wellbeing.

COVID-19 has demonstrated the power of savings during unprecedented times. The pandemic has had a devastating impact on large corporations, Small Micro Medium Enterprises (SMME), and everyday entrepreneurs. The trickledown effect has resulted in members of our society facing retrenchments, reduction of income, or an inability to generate any income. The government of Botswana has stepped in and provided different measures to assist both the corporate community and Batswana at large.

Although the government has provided assistance, some families are still in need of substantial financial aid. As a society, it is imperative that we save and have emergency funds in place for such calamities. Money experts generally encourage individuals to set aside three to six months' worth of living expenses in an emergency fund. This includes all expenses from rent/mortgages, fuel, groceries, utility bills, school fees etc.

An emergency fund is meant to buffer one's income during a crisis such as a pandemic, losing employment, or a medical emergency. This fund should be held in a generally inaccessible Savings/Fixed account. For most, three to six months' worth of living expenses is quite a tall order. As a starting point, one needs to assess their monthly budget and find out where they can try to cut costs in order to generate savings.

Members can also look to forced savings, by joining a strategic savings group (Motshelo). There are different types of savings groups in place within Botswana society. One of the more common forms involves a Member committing to savings a certain amount each month. In this instance an individual's savings is in essence treated as an expense but truly is a form of forced savings. Individuals can join a savings group with a monthly contribution that is affordable to them.

Instead of utilizing all the funds in December, members can move their savings to fixed deposit account that rolls over in to the next year, the account can be set up with reasonable time limits that would enable Members to access funds in case of emergencies, without incurring major bank penalties. Members could set up or join different savings groups to serve multiple purposes, for example they could join a savings group specifically for December/Christmas trips or for December/Christmas groceries.

It is imperative that if any savings are utilized for lending, there should be certain risk measures in place. These measures can include but are not limited to lending limits, lending to known/familiar individuals, vetting of individuals who are borrowing, signing of lending agreements, and short loan lending terms.

Members are also encouraged to pursue suitable entrepreneurial endeavours as a means of diversifying their income portfolio. The entrepreneurial journey can be a strenuous and arduous undertaking. Individuals should look to start small. Members can look at activities that are not capitally intensive which they or their family can undertake within their immediate community. Entrepreneurial activities can be service based, or product based.

Botswana for example is a farming centric culture, and this could be one means of reducing costs and gaining more income. Individuals could look to source some of their food from farming and sell any excess product. The entrepreneurial journey can be taken on as group effort, this will reduce individual risk and allow for there to be more ideas and effort into the various project or projects.

Additional Voluntary Contributions are an additional means of saving towards greater future financial security. Not everyone can be an entrepreneur, therefore pension funds are an alternative to earning additional capitals through saving and investing towards retirement, which is inclusive of early retirement. Increased savings can improve pension pay-outs and the monthly member pension salary. In addition, in instances a member is laid off, they are able to access a portion of their pension savings as temporary relief, although it is not recommended to access pension savings until retirement.

One critical key lesson that has emanated from COVID-19 is acquiring additional knowledge. It is imperative for members to continuously grow their skills. Members should seek to learn about finances and financial wellbeing as much as possible, this will enable individuals to be as best prepared as they can possibly be for different monetary and financial requirements. In addition, members should seek to learn new skills or take on new courses to enable them to progress within their professional careers or to be able to generate income in other manners. This will allow for greater earnings, savings and investing capacities, which will all assist in times of crisis such as the COVID-19 Global pandemic.

We live in an uncertain world, therefore, it is imperative that we prepare ourselves financially. It is critical to save and bolster our income and savings from either pursuing entrepreneurial ventures, saving larger amounts towards our pension savings and continuously learning and improving ourselves.

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Investment Analyst
Debswana Pension Fund

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Pensioner Member Updates

Pensioner Salary increase effective July 2020

The Debswana Pension Fund Secretariat is pleased to announce that at its last sitting, the Board of Trustees approved a pensioner salary increase of 2.2 percent to effect from July 2020.

2019 Pensioner Portfolio Performance

The Fund realized steady growth in 2019 compared to the 2018 results. The Fund had set a target of inflation plus 4.11 percent (CPI+4.11 percent) over a period of five years. In the year under review, the Pensioner Portfolio returned 15.43 percent against a target of 6.31 percent . The positive return investment performance in 2019, has supported the Fund's good financial position.

Impact of COVID-19

Due to the COVID-19 pandemic and the resulting turmoil in the financial markets, the Fund has deemed it prudent that the assets and liabilities in the Pensioner Account as at 31 March 2020 also be considered in determining the Pensioner Salary Increase. Since the beginning of the year, markets have faced poor investment returns and uncertainty regarding the short to medium term investment outlook as a result of the current COVID-19 pandemic. As a consequence, the Pensioner Salary Increase has been marginally moderated.

How Pensioner increases are determined

Annual pensioner salary increases are subject to affordability, hence not guaranteed. Affordability of Pensioner increases is determined by matching of Fund assets and liabilities in order to establish whether the funding levels are below, within or above target. The Other important determining factors are annual investment performance in the year of the pensioner salary increase as well as the future investment outlook. If the Trustees are satisfied that these variables are favorable, then they may resolve to award an increase.

The 2.2percent increase amount, or any other past increase levels, are determined in line with the Fund's current Pensioner Increase Policy, which outlines in detail the criteria for calculating pensioner increases as and when the Board of Trustees resolves to pay them.

Certificate of Existence – COE Form

Every year Pensioner Members are required to complete Certificate of Existence forms. This is done to ensure that only qualifying Members are paid pension salary. Should a Pensioner member fail to submit the form before the deadline, they will be suspended from pensioner pay-roll and will only be enrolled back once they have complied with the COE requirements.

2020 COE forms will be distributed through Badiri ba Meepo Pensioners Association (BBMPA) branches country wide. In places where BBMPA does not have a branch, forms will be sent to Members through surface mail, or email or WhatsApp. This partnership with BBMPA is meant to minimise delays that were previously experienced when forms were sent through the Post Office and often times delayed or never received.

Pensioner Members are requested to liaise with their respective BBMPA Branches in order to complete the 2020 COE Form. Deadline for submission of COE Forms is **30th September 2020.**

BBMPA Branch	Names	Contacts	E-mail
Greater Gaborone	Goitsemang A. Ramaeba	71322966	autiliah10@yahoo.com
Mahalapye	Jasper Sematlho	71304432	jsematlho@gmail.com
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Maun	David Khumoetsile	74440903	khumoetsile@btcmail.co.bw
Kanye	Mr Tselaesele	73094922	
Mmadinare	Ana Marata	77120294	apmarata@gmail.com
Francistown	Michael Geche	71206596	michael_geche@yahoo.com
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Palapye	Shine Namane	71747547	
Serowe	Fisher Ntshebe	72145099	
Goodhope	Joyce Matsheka	71383846	jbmatsheka@gmail.com
Tonota	Bontle Masedi	71540473	bontlemasedi@gmail.com
Letlhakane	Keitumetse Munaani	72430645	munaanik@gmail.com
Lobatse	Ishmael Serwadi	71827426	serwadiishamel@yahoo.com

DPF Values

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Dikitsiso tsa Bagodi

Koketso dituelo tsa Bagodi

Letlole la Phenshene ya Debswana le itsise maloko otlhe a Bagodi ba ba amogelang phenshene gore dikamogelo tsa bone tsa kgwedi le kgwedi di tla okediwa ka selekanyo sa 2.2 percent go simologa ka kgwedi ya Phukwi monongwaga.

Seemo sa letlole le le beeleditseng madi a Bagodi mo ngwageng wa 2019

Letlole le itemogetse kgolo e e kgotsofatsang mo ngwageng wa 2019 go tshwantshanngwa le ngwaga wa 2018. Mo ngwageng wa 2019 dipoelo tse di dirilweng ke letlole le le beileng madi a Bagodi ke 15.43 percent mo seelong se se neng se beilwe sa 6.31 percent . Seemo sa madi sa dingwaga di kopantswe se supa fa itsholelo ya letlole le madi a maloko a santse a sireletsegile

Ditlamorago tsa leroborobo la COVID-19

Leroborobo la COVID-19 le tsile ka ditlamorago tse di tsisitseng go sa iketlang ga mebaraka. Letlole la Debswana le bone go le botlhokwa go sekaseka seemo sa letlole le le beileng madi a bagodi pele lekgotla la batlhokomedi le atlenegisa kokeletso ya madi a bagodi ya ngwaga wa 2019. Kwelo tlase ya dipoelo tsa mebaraka mo sephatlong sa ntlha sa ngwaga wa 2020 ke lengwe la mabaka a a gwetlhileng kokeletso ya seelo sa 2.2percent .

Koketso dituelo tsa Bagodi e laolwa ke eng

Go botlhokwa gore bagodi ba tlhaloganye gore koketso ya dikamogelo ga e kake ya tlhomamisega ngwaga le ngwaga. Madi a bagodi a okediwa fela fa e le gore seemo sa itsholelo se a letla, mme fa se sa letle go na le kgonagalo ya gore mo dingwageng tse dingwe re tlhoke go oketsa.

Dilo di mmalwa tse di lebelelwang pele ga tshwetso e ka tsewa go oketsa madi a bagodi mo go tsone kgolo ya itsholelo ya letlole e bewa kwa pele.

Ka go nna jalo, re eletsa gore bagodi ba lemoge gore kokeletso e e abilweng gompieno ya 2.2 percent e fitlheletswe go sena go sekasekwa mabaka otlhe a a maleba.

Difomo tsa A o a Tshela

Ngwaga le ngwaga, Bagodi ba letlole la Debswana Pension Fund ba tlamega go rurifatsa fa ba santse bale mo botshelong gore letlole le tswelele le ba duela dikamogelo tsa bone tsa kgwedi le kgwedi. Fa Mogodi a ka retelelwa ke go tsisa fomo ya A O A Tshela mo nakong e e beilweng, letlole le ya go emisa go amogedisa mogodi madi a kgwedi le kgwedi go fitlhelela fomo ya t line A O A Tshela e tsisiwa.

Difomo tsa A O A Tshela tsa ngwaga wa 2020 di ya go phatlaladiwa le di kantoro tsa lekgotla la Badiri ba Meepo lefatshe lotlhe. Maloko a a nnang mo mafelong a a senang di kantoro tsa BBMPA, ba tla romelelwa difomo ka poso le metlhale e mengwe jaaka email le WhatsApp. Tirisanyo le lekgotla la BBMPA e dirilwe e le mangwe a maiteko a go ntsha ditiego tse di nnang teng.

Bagodi ba kopiwa go ikopanya le dikantoro tsa lekgotla la BBMPA mo dikgaolong tsa bone gore ba kgone go tlatsa difomo tsa A O A Tshela. Tsatsi la bofelo la go tsisa difomo ke **30 Lwetse 2020.**

BBMPA Branch	Names	Contacts	E-mail
Greater Gaborone	Goitsemang A. Ramaeba	71322966	autiliah10@yahoo.com
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Serowe	Fisher Ntshebe	72145099	
Goodhope	Joyce Matsheka	71383846	jbmatsheka@gmail.com
Tonota	Bontle Masedi	71540473	bontlemasedi@gmail.com
Letlhakane	Keitumetse Munaani	72430645	munaanik@gmail.com
Lobatse	Ishmael Serwadi	71827426	serwadiishamel@yahoo.com

Know your Pension Fund Rules

DPF Fund Rules

Upon registration, the Debswana Pension Fund formulated its own Rules, which serve to guide the management of functions of the Fund.

The rules of the DPF are binding on the Fund, the Trustees, the Members, the Dependents, Beneficiaries and the Employers.

It is very important for every Member of DPF to familiarize themselves with the Rules of the Fund. The Rules have parameters that guide the Fund and Members on each party's obligations to help manage expectations

Information contained in the Rules of the Debswana Pension Fund simplified:

General
Details of the Fund –
Description of the Fund as a legal entity and date of establishment
Physical address

Purpose –
Objectives of the Fund

Binding Nature of the Rules -
Affected parties

Definitions
Meanings of words and expressions as assigned to them e.g. Act – means the Retirement Funds Act, 2014 as amended, the regulations and any other subordinate legislation thereto.

Membership
Gives details on eligibility and different categories of Members

Contributions
Specifies Contributions by each Employer

Retirement Benefits
Amount of Benefits due to either an Active or Deferred Member

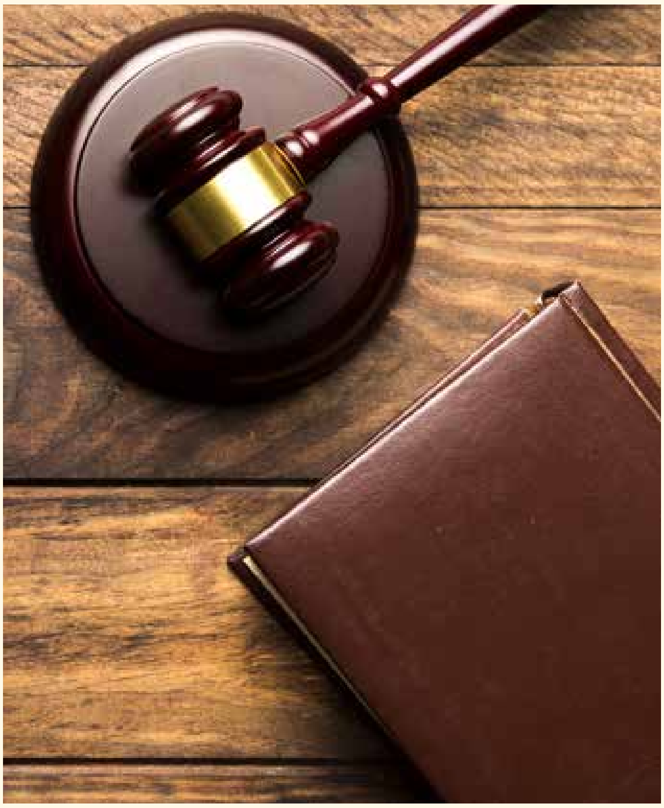
Date of Retirement -
Retirement upon early age or normal retirement. This also covers grounds on which members may retire.

Pension Payable by Fund –
Covers Pension or annuity options Member may elect in the event a pension is payable.

Fund Pension Provisions – Guide on what determines Pension payables

Death Benefits – Active and Deferred Members
Benefit –
Lump-sum equal to a Members' Fund credit at the time of death and is payable as a death benefit by the Fund.
Payment of Benefit –
Payment of death benefits and those mandated to determine beneficiaries and in what proportions.

Know your Pension Fund Rules



Termination of Services
On redeployment of Transfers –
Guidance on withdrawal of lump sum amount.

Low Pension Credit –
As per prescription by law.

On Redeployment o Transfers –
Circumstances under which withdrawals are permitted.

Payment of Claims
Determine how overpayment or under-payment to the member will be dealt with.

Transfers in and out of the Fund

Termination of the Fund
Liquidation of the Fund –
Guides the Member on what to do should the Fund end up liquidated either voluntarily or compulsorily

Liquidation of the Employer –
Guides Active members on what to do with their membership should their Employer liquidate

Liquidation of Participating Employers –

Management of the Fund
Trustees -
Constitution of the Board of Trustees, how they must conduct the business of the Fund and what will inform their vacation of office. This also details out the type of trustees to serve in the Board and their tenure.

Insurance -
What is indemnified by the Insurance Policy the Fund has acquired.

Committees -
Establishment of Committees and their responsibilities.

Meetings with Members –
Communication between Trustees and Members concerning affairs of the Fund.

Financial Provisions
Investments –
Treatment of all monies received by the Fund.

Expenses –
All expenses directly related to the running of the Fund.

Actuarial Valuations –
Actuarial Valuation to determine whether the Fund continues to meet its liabilities as specified in the rules.

Amendment of the Rules
Dictates who may make amendments on the rules and which amendments may not be made without consultation of other key stakeholders.

Interpretation of Rules
Implications of the Trustees interpretation of the rules.

Miscellaneous / General Provisions
Provides more clarity on the management of relationship between members and the Fund.

Payment Currency
Stipulate the currency to be used when making payments.

Cessation of Active Membership
What is to happen to a member's unallocated contributions should they cease to be an active member of Fund.

Tax and Trustees liability
Provide guide on payment of tax liability should the need to account to a tax authority on behalf of a member arise.

Disputes
Trustees decision is final and conclusive in any dispute that may arise between the Fund and Member.

Low Pension Credits
Trustees jurisdiction with regards to determine what to do, should it be established that a pension payable is too little to be paid as monthly pension.

PRESERVATION FUND

What is a Preservation Fund?

This is a Pension or Provident Fund into which the accrued Fund benefits of employees who leave the service of an employer due to a dismissal (including retrenchment) or resignation or in the event of a dissolution of an employer's Pension or Provident Fund, may be invested in.

The whole idea is to preserve what the member has accumulated and avoid the Fund credit being eroded by volatility of the market.

How do I move my accrued fund benefits to a Preservation Fund?

A Member has to inquire around when the need to move their Pension or Provident Fund arises. The Member must notify their current Pension Fund of their intention to move and where they will be moving their pension balance to.

The receiving Preservation Fund must also write to the fund releasing the money indicating that they will be receiving the Member's Fund credit and the money can be released into their custody.

How does this affect retirement age?

Once a member moves their Fund balance, the retirement age that will be legible to them will be that stipulated in the Rules of the Preservation Fund they are moving to. Retirement Age for members of a Preservation Fund is 55years.

DPF's subsidiary, Mmila Fund Administrators (PTY) LTD has been licensed by the Regulator to operate a Preservation Fund. This means that all Deferred members interested in moving their deferred balances may move their balances to Mmila Preservation Fund. To find out more contact Mmila Fund Administrators at ***267 395 6966*** or through email at ***info@mmila.co.bw***

How safe is your money?

The questions you need to ask when you invest

Wealth Managers throughout the financial industry are often asked "Is my money safe with you?" The answer has to be "yes", and not just because the advisor says so. This assurance of safety must genuinely be the case. As an investor, there are ways of ensuring that you are dealing with a reputable professional who operates according to the rules and with an ethical stance. This article addresses two of the most commonly asked questions and how you can establish whether your money is truly safe.

Question 1: Can my advisor or someone who works at the company run off with my money?

Legislation requires advisors to make disclosures up-front regarding whether professional indemnity insurance is held by the company for which the advisor works. This indemnity cover is critical since it protects you if the advisor makes a mistake with the advice that they give you. Similarly, fidelity insurance protects you if a staff member steals your money.

In both cases, the cover ensures that the company has the ability to pay you in the event that something goes wrong. Given that this disclosure has to be made up-front, you will immediately be able to ascertain if this insurance is in place, or not. Another important point is that companies operating in the collective investment space, the life office or the South African banking environment are highly regulated. In this extremely controlled space, the risk of a staff member ever being able to lay their hands on your money is minimal.

Question 2: What will happen to my money if your company goes bust?

To answer this question, it's useful to start by distinguishing between market risk and institutional risk. If markets go down, you may risk losing a percentage of your investment. But given enough time you will make it back, and more. If, however, the institution with whom you invest goes bust and, as a consequence of that you lose your money, there is little to no chance of recovering that loss. This is institutional risk.

In order to establish the extent of the institutional risk to which your money is exposed you need to know on which balance sheet your investment money sits. This tells you which institution would have to fall down in order for your money to be lost. On whose balance sheet(s) your money sits is determined by the investment vehicles that are used in your wealth management solution. There are three broad categories of investment vehicles which use different legal structures, and it is these structures that determine which balance sheet reflects your funds.

1. Unit trust structure (investment plan, tax free savings plan)

This is a discretionary vehicle where your money is held by a nominee company on your behalf, and the money sits on your balance sheet and no-one else's. There are strict regulations which govern the nominee companies that hold the funds. For example, the majority of board directors must be independent, the company may only hold assets, it may do nothing else with them, the company may not incur debt, it cannot transact, it can only act on instructions, and it has to be audited. So there is no risk there. In this instance, you would personally have to go bankrupt in order for the money to be lost.

2. Life wrapper (endowment policy, living annuity)

In these structures your money sits on the balance sheet of the life office you are using. Theoretically, if the life insurance company fails, then you could lose your money. The likelihood of the life insurance company going under, or of your money being contaminated by the financial risks to which the life insurance company is exposed, increases if the company underwrites risk (insurance) products and offers guarantees on their investments.

In these instances, your money could be at risk if, for example, an unforeseen or unanticipated event occurs and the company has to pay up. A slightly safer option is to use the life wrappers of pure investment companies that do not underwrite any insurance risk or investment guarantees, and whose assets match their liabilities at all times.

Full Report: https://www.iol.co.za/personal-finance/investments/how-safeis-your-money-the-questions-you-need-to-ask-when-you-invest-48299766

IOL | 21 May 2020

You were about to retire when COVID-19 struck your savings - now what?

Pre COVID-19, many saved diligently for retirement, or perhaps not so diligently and were already worried about having enough to live comfortably. Then along comes a global pandemic, the ensuing market volatility and a Moody's downgrade, adding ginormous stress to those within six years or less, of retirement. The key to riding this out is not to panic, take a deep breath, understand your options, consider them carefully and then make an action plan under the guidance of a certified financial planner.

Step 1: Re-look at your investment strategy

If you are invested in a default life-stage model, your retirement savings will automatically have switched from aggressive portfolios to more conservative portfolios as you approach normal retirement age. This reduces your exposure to riskier asset classes (like equities/shares and listed property), so that when markets go through the kind of turbulence we've experienced in February and March, your retirement savings are less vulnerable to significant loss. Conservative portfolios are not completely immune from adverse market movements, but they are better protected than the portfolios of younger members, whose portfolios need to be more aggressively invested over a longer period of time. If you created your own investment strategy – whether independently or with a certified financial planner – you may be invested in portfolios that have a much higher allocation to riskier asset classes, and your retirement savings may be more exposed right now. If this is the case, consult a certified financial planner to evaluate your investment strategy and determine whether immediate corrections are required.

Most importantly, do not try to time the market, because no one is capable of doing so when markets are (arguably) acting more unpredictably than ever before. Any panic-induced investment decisions may have actually put you in a worse position now than you were at the end of March 2020.

Step 2: Change your focus

If you are on the verge of retirement, your mind-set should shift from the accumulation of retirement savings (saving phase) to decumulation (spending or income-generation phase). The focus now should be on how you will draw your income in retirement – assuming you have sufficient savings to retire on – and how sustainable that income will be for the rest of your life. The COVID-19 curveball made what is always a difficult decision far trickier. But what hasn't changed is that this decision can ultimately only be made by you, based on your personal circumstances.

Step 3: Weigh up the options

When I say that we've never seen market conditions like this, it's no understatement, it's a largely unpredictable jungle out there right now, much like every facet of life in these extraordinary times. This is why it's more important than ever before to fully understand the pros and cons of the different post retirement products.

Life annuity

With this product, your income never decreases, regardless of what happens to investment markets or how long you (and possibly your spouse) live. Your income can increase annually, but this depends on the type of life annuity you elect. For example, a level annuity means that your income never increases, whereas an inflation-linked annuity means your annual increase is linked to the inflation rate. South African bonds have been hammered by COVID-19, along with Moody's downgrading the South African economy to "junk" and the two recent interest rate cuts, which have resulted in bond yields actually spiking.

Higher bond yields directly impact life annuities rates (for the better) by driving up the starting income of the annuity. That's the good news for life annuities. The bad is that some types of life annuities, such as with profits annuities, generally have a low to moderate investment in shares, therefore future earnings will come under pressure. The conclusion here is that, under current market conditions, purchasing a life annuity that is providing a relative higher starting income may offset some of the losses in your retirement savings.

In fact, if you were invested in a conservative investment portfolio and elected a life annuity at retirement, you would have been better off at the end of April 2020 than you were at the start of the year – despite your retirement savings having decreased over this period. However, a life annuity will not make you completely immune to economic downturns – you still need to manage your expenses carefully.

Living annuity

This product allows retirees to remain invested in their investment portfolios while drawing down a percentage of their savings as retirement income. While it's not recommended you draw more than 6 percent, sticking to 4 percent (known as the Rule of 300) will ensure your retirement savings last a lot longer. Living annuities give you the option to change your drawdown once a year and sometimes, when times are tough, more often.

For example, to help retirees through the current crisis, National Treasury has put forward an amendment that would allow for a significant increase in drawdown rates until 31 August 2020 – between 0.5 percent and 20 percent. On the flipside, a living annuity does make you more vulnerable to market fluctuations. While you may have watched in horror as your savings dwindled in the first three months of 2020, April would have (hopefully) brought a smile to your face.

Hybrid Annuity

A unique offering is a hybrid annuity. Instead of having a separate living annuity and a life annuity, a hybrid annuity is an all-in-one package, a living annuity where one of the available investment portfolios is a unitized with-profits annuity. Essentially, this option gives you the best of both worlds and is worth considering if you'd like some income stability and the flexibility to increase your drawdown and/or potentially increase your savings (or recover lost savings) by changing investment strategies in response to market conditions.
As I stressed initially, deciding what to do with your hard-earned retirement savings is a tough choice, especially when the world is as labile as it is at the moment. This is why it's crucial to get good understanding 9 of your retirement options, and why I would encourage all those within retirement age to utilize the retirement benefits counselling that all funds must provide to retiring members at no cost, as well as consult an independent, certified financial advisor.
Fin24 | 31 May 2020

Avoid making rush decisions, Pension Fund members told

People with defined contribution pension plans are being advised not to panic as their fund has lost value this year. It comes as the pension funds of some of the largest companies in the state saw their deficits unchanged in the first three months of the year. Peter Gray, Corporate Consulting Leader with Mercer, said that members of defined contribution schemes will have likely seen the value of their retirement funds fall since the beginning of the year.

With a defined contribution scheme, employees and employers pay into a fund, with the final pension amount based on the amount put in and the fund performance. Mr. Gray said Mercer has seen an increased level of queries from members and interest in switching investment strategies. "We would caution against any knee-jerk reactions, especially when the market is so volatile, as it may ultimately only serve to lock in losses." He said those furthest from retirement have time for markets to recover and those closer to retirement will have benefited from de-risking if they have adopted a lifestyle-investment approach. Members were strongly encouraged by Mr. Gray to seek advice before making any decisions. Recent figures from Rubicon Investment Consulting show that over the first four months of 2020, Irish pension managed funds have lost an average of 8.5 percent. In the past twelve months, those funds have delivered a 2.8 percent loss on average.

The average managed Fund return has been 2.4 percent per annum over the past three years. Mercer said the pension funds of the largest firms in the State saw their deficits unchanged in the first three months of the year. This is despite the extreme volatility in financial markets caused by the COVID-19 pandemic. An analysis by Mercer shows that defined benefit pension deficits for Iseq-listed companies have remained unchanged at €1.2bn from year end to the end of March 2020.

A defined benefit pension is one where a specific benefit will be paid to the member when they retire, with the amount based on the number of years an employee has worked and their final salary. There was a sharp fall in stock markets in the first three months of the year. But this was offset by a decline in scheme liabilities fueled by soaring corporate bond yields, according to research by pensions advisers Mercer. Pension liabilities are the difference between the total amount due to retired scheme members and the actual amount of money the pension scheme has to make those payments. Liabilities are calculated with reference to the interest on bonds.

The higher the rate, the lower the pension liabilities. Mercer has advised pension fund trustees of DB schemes and sponsors to plan for the possible economic disruption of a second lockdown, or the possibility that the current lockdown will be extended. The consultants also advised trustees to consider the investment opportunities of buying assets at reduced prices due to the falls in stock markets.

Irish Independent News | 15 May 2020

Retiring on a shoestring

Retirement should be a time for new adventures – spending time with loved ones, finding new hobbies and working through your travel bucket-list. For investors planning to retire in 2020, or those being forced into an earlier retirement, the picture may have changed, with investors seeing declines in the value of their retirement capital following the recent market correction.

During the first quarter of this year the average balanced fund*, a typical choice for retirement annuity and pension fund allocations, declined by -14percent . Investors' allocation to more conservative** mandates lost-8percent . Many investors still have time on their side - or can opt to delay retirement. If they stick to their investment strategies and persist with contributions, comfortable retirement is achievable. But what about those starting this new chapter this year?

Don't lock in the losses

While recent losses and continued volatility and uncertainty may tempt you into abandoning growth assets, cash may not be king. When transferring your retirement assets into a living annuity, stick with your investment strategy. And when transferring from a retirement annuity or preservation fund, the process is often seamless, which ensures you stay invested and don't miss the recovery.

Limit the amount of income taken from your living annuity Large drawdowns (the amount of income taken) early in your retirement can further hurt your already depressed retirement capital. Limiting drawdowns and cutting back on non-essential spending can help to maximize capital to participate in recovering markets.

Invest your 1/3rd wisely

If you access the one-third of your retirement fund that you may take as a lump-sum at retirement, ensure that this is invested prudently. You may need this capital to supplement your retirement income or cover increasing medical expenses later in retirement. Also keep in mind that any further growth on this capital is taxable, so ensure you optimize tax on this portion of your capital.

Financial planning continues in retirement

Allocating your retirement capital, or a portion thereof, to a living annuity does allow some flexibility into retirement. It is important to engage with your financial adviser to design and manage a dynamic retirement plan for you. These experts will know how to best position your portfolio for recovery, or when it may be a good time for you to consider converting to a life annuity, where you secure a guaranteed income for life.

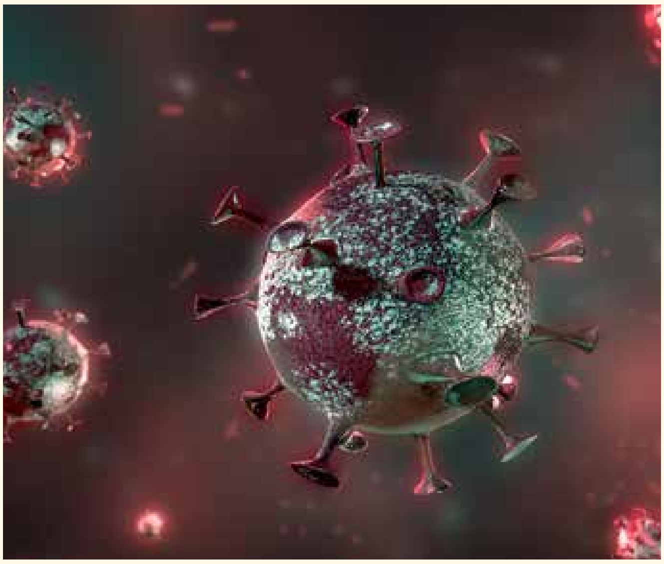
Stay close to the experts

Conversations with your financial adviser are now more important than ever. There are many considerations and decisions to make – not all of them financial. A qualified financial adviser can look at your particular situation taking into account your goals and wishes and advise you accordingly.

"Retirement is wonderful if you have two essentials – much to live on and much to live for." – Author Unknown * as measured by ASISA Multi Asset High equity category and ** ASISA Multi Asset Low equity category, source Morningstar. FA News | 16 April 2020

Retiring after the Corona Virus Pandemic

(from page 1)



Inevitably, clients will want to talk about markets and the impact of COVID-19, but we also need to be clear with clients. We cannot control markets.

I think more productive conversations are focused on reminding clients of their objectives and what adjustments, if any, are necessary to achieve them in the timeline set.

In the wake of this crisis, it is possible that a risk-adverse group of investors may emerge, as the reality that the world is more fragile than we may have thought, kicks in.

Tom Conner, director at Drewberry, says for advised clients, it is very common to build in-market crash scenarios to stress test the likelihood of achieving future goals, so there is still concern but to a lesser extent. "They key message advisers need to be communicating to their clients right now is not to panic," he says. "Clients will want to talk about markets and the impact of COVID-19 but we also need to be clear with clients. We cannot control markets."

Mr. Conner points to one of the worst FTSE crashes in history, Black Monday in October 1987, to illustrate his point. "By the end of the year, the FTSE was actually up by 6 percent over the previous year," he adds. "Moreover, if you zoom out even further, taking a 30 year-plus horizon, you'll see that the same 'record' crash is actually barely a blip overall."

Long-term thinking

Pete Glancy, head of pension policy at Scottish Widows, adds "Short-term ups and downs are to be expected and are a reminder to keep a long-term view on your investments where possible.

"We think of long-term investing as being ten years or more. Those considering making any changes to their pension should consider the implications of this carefully, bearing in mind their long-term objectives. With a long-term investment such as a pension that is meant to help support people when they retire, any decision made now can have considerable impact years down the line."

As the value of investments has been falling, the FCA announced a raft of measures to prevent market and consumer harm; one of these a relaxation of the 10 percent depreciation reporting rules.

As noted by Maxine McIntyre, Head of Financial Strategies at WPS Advisory, Mifid II requires firms providing portfolio management services or holding leveraged investment retail client accounts to inform investors where the value of the investments falls by 10 percent or more compared to the last statement.

Notification is required for each subsequent 10 percent.

However, in the current highly volatile market this is a significant operational burden for firms and a potential source of additional anxiety and stress for clients.

10 percent depreciation rule

In response to this, the FCA has relaxed enforcement of this requirement until 1st October 2020.

This easement applies where a firm:

- Has issued at least one notification to retail clients informing them of a 10 percent fall in the value of their investments;
- Provides additional updates through public channels (such as a website, social media, non-personalized communications) which inform clients of current market conditions, how to check the value of their portfolios and to contact the firm if they require additional information;
- Chooses to stop issuing 10 percent depreciation reports to professional clients.

"The key message advisers need to be communicating to their clients right now is not to panic."--Tom Conner

Ms. McIntyre says although this easement will be welcomed by advisory firms providing portfolio management services via their discretionary permission, such firms should not lose sight of the duty to continue to provide updates to clients through non-personal means.

She adds "Advisers and their clients using mainstream providers or operating under a "Reliance on Others" arrangement with managed portfolio services or discretionary fund managers providers should be able to rely on them to deliver the appropriate information to clients, but should check the services that will be delivered and ensure they meet the needs of their clients.

"Advisers operating under an 'Agent as Client' agreement when using MPS or DFM should confirm the communication ownership with the provider. Don't assume the provider will take responsibility for client communication. "This will depend on the wording of the terms of business that govern the relationship. In addition to the regulatory issues, getting this wrong will damage client relationships in such difficult times."