Bokamoso

DPF
DEBSWANA · PENSION · FUND

DPF Replaces Administration System

Optimal Operations, Highly Improved Service Offering Expected

INSIDE:

The year 2013 was marked by a periodic strategy review that was carried out by the DPF Board of Trustee with the following objectives;

1. To assess the appropriateness of the Fund's operational strategy relative to its size and value and propose alternatives where appropriate.

2. To further assess current operating model of the Fund against leading practice, relevant benchmark and key insights to develop interventions to reduce the future cost base.

3. To also review the existing organisational structure and provide insights where improvements can be made.

The outcome of this strategy review thereafter led to a number of key resolutions taken by the Board, amongst them being the procurement of a replacement administration system. The findings of the review mainly highlighted the following;

1. The Fund insourced administration model is the most appropriate for the Fund to continue with as it will provide continued control over data, service and cost, ensure data and service quality levels, retention of knowledge and skills base, and to ensure that DPF remains a truly Botswana fund with a unique end to end service offering to its members

2. There was however an identified need for further efficiencies, especially with regard to other functions of the Fund which are not automated hence not cost effective due to predominantly manual processes.

3. The current administration system was found to have limited support and the capacity to provide further efficiencies required in 1 above, hence the need for a more integrated platform over and above what the current system can provide.

continues on page 4...

Our Values:

Customer Focused | Trust & Integrity | Innovation | Agility | Self-Driven & Motivated

Editor's Note:

Wangu Mmereki

Welcome to the 2015

This edition brings you news on the latest developments in the DPF.

Welcome to the 2015 first edition of Bokamoso Newsletter. This edition brings you news on the latest developments in Debswana Pension Fund. We would like to take this opportunity to thank everyone who continually gives us feedback on our newsletter content. Please continue to do so as it is indeed value adding. Your contributions help us to better ourselves for your benefit.

Our lead story in this edition of BOKAMOSO is the announcement of our new project to replace the current administration system with a better and more robust one. The project name Anchor was voted the most popular in a staff competition won by Member Welfare Officer Charlotte Bogadi Ntebele. For her creativity, Charlotte walked away with a brand new IPAD mini as the grand prize. Giving the rationale for the name choice, Charlotte says the new system and its envisaged benefits will anchor and re-affirm the Fund as a source security and sustainability for member's future livelihoods. We all agree!

The Winner Charlotte Bogadi Ntebele Flanked By Project Manager Melvyn Pensee-Arnold & Principal Executive Officer Gosego January

We also bring with the new year a new reading section titled *"PENSION NEWS"* to give you a global perspective of pensions management issues through other pension news around the world, we hope you enjoy the articles featured in this section and the ones to come.

ANNOUNCEMENTS: STAFF MOVEMENTS

Reobonye China Abel is the new Deputy Board Chairman

The Debswana Pension Fund Board of Trustees is pleased to announce the appointment of Mr. Reobonye Abel to the position of Deputy Board Chairman. Mr. Abel is also a member elected Trustee for Orapa, Letlhakane and Damtshaa constituency – the largest of the four DPF constituencies.

Tshepo Rantho & Mmoloki Onneile resign from the Board.

After serving in the DPF Board for just over 2 years Tshepo Rantho relinquished her position as member elected Trustee for the Jwaneng consittuency following her transfer from Jwaneng mine to Gaborone. In terms of the Fund rules as at the time she resigned, her resignation spelled an automatic resignation for her alternate Mr. Mmoloki Onneile. Trustee elections have since been held in Jwaneng and their successors **Esther Palai & Thabo Motshabi** are now on full duty having recently been approved for Trustee office by the regulator.

Wangu Mmereki joined Debswana Pension Fund on 05th March 2015 as a Communication intern. She holds a degree in Business Administration (Marketing), from the University of Botswana.

IMPORTANT NOTICE

Certificate Of Existence Due In August 2015 !!!

Member pensioners are duly reminded that the completion of COE forms shall commence on the 1st May 2015 to 31st July 2015. Forms will be sent to members via post and those who do not receive post are advised to request alternative methods or visit the nearest office to complete the form. Members who fail to comply will be temporarily suspended from the DPF pensioner payroll until their COEs have been received by the Fund.

Please ensure a timely submission to avoid suspension of your salary!

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- Trust & Integrity
- Innovation
- Agility
- Self-Driven & Motivated

DPF

DEBSWANA · PENSION · FUND

Your Fund, Your Security, Your Future

TRUSTEE ELECTION RESULTS
JWANENG CONSTITUENCY

Esther Palai
Trustee Election Victor

Thabo Dave Motshabi
Alternate Trustee

Esther Palai emerged the winner of the recent Trustee elections organized by DPF to fill the Jwaneng Mine Trustee vacancy for constituency. Palai, the only female Candidate won the closely contested poll held in Jwaneng Mine on the 04th December 2014, beating all 5 contenders. She managed to amass 170 ballots 16 more than her runner up Mr. Thabo Dave Motshabi.

Mr. Thabo Dave Motshabi got 154. According to rule 11.5.5 of the Debswana Pension Fund Rules, the candidate with second highest votes is appointed Alternate Trustee, therefore Mr. Motshabi will automatically assume the Alternate Trusteeship for Jwaneng mine constituency.

Palai and her new alternate will replace former Trustees Mrs Tshepo Rantho and her alternate Trustee Mr. Mmoloki Onneile who vacated their positions in 2014 when their term of office expired.

Debswana Pension Fund Board, Management & Staff wishes to congratulate Ms Palai and Mr. Motshabi for their well-deserved victory and also welcome them to the DPF Board room. On the same note, DPF thanks the voters, employees of Jwaneng mine for their participation during the election.

NAME OF CANDIDATE	RESULT
1. Adrien Sedigeng	76
2. Allen Molefhe	42
3. Dave Motshabi	154
4. Esther Palai	170
5. Mmoloki Onneile	136
6. Mogorosi Mbanga	136
Spoilt Votes	13
Total Votes	727

Furthermore the Fund apologises for the delayed announcement of the results as the post-election review and conclusion of the results took longer than expected.

Following from their victory, Palai and Motshabi enderwent a mandatory regulatory vetting process applicable to all persons elected to hold any leadership position in the Pension fund before fully qualifying as Trustees. They have since been successfully cleared for their Trustee duties.

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www.dpf.co.bw

continues from page 1

Following from the above findings, the Board of Trustees resolved to embark on a project to procure a new system to replace the current one. The project, symbolically named "Project Anchor", is already underway, with go live date envisaged for July 2015.

To understand more the objectives of Project Anchor, we interviewed DPF IT Manager and Project Manager for Project Anchor Melvyn Pensee-Arnold.

1. Give the Project overview, back ground & mile stones achieved so far?

The principal purpose of the DPF is to meet future benefit obligations to members as defined by the Rules of the Fund, earn positive investment returns on member funds and remain financially sound at all times. As such, DPF continually seeks to transform its operations to improve service while reducing costs. Despite increasing demands driving higher costs, budgets remain under pressure and cost & operational efficiency is a key focus. The requirements and expectations of business are changing which require a more automated approach to be able to deliver services faster and in a more accessible manner. The project is already at an advanced stage having gone through a number of phases as follows;

Initial Scope: The initial scope focused on a detailed current state assessment of DPFs administration and finance processes and systems. This was coupled with detailed scenario analysis and business cases for various strategy and operating model options, which enabled the Board to elect the most suitable strategy.

Revised Scope – Phase I: The above analysis informed Phase I of the revised project scope, which focused on detailed Business Requirement Specifications. Phase I was closed off in December 2014.

Revised Scope – Phase II: of the project will focus on ensuring the successful implementation of the new system, including addressing the human resources and organizational aspects of the implementation.

2. Why implement a new system only five years after launching another one?

DPF faced a number of internal and external challenges that compelled the fund to devise a multipronged strategic response. These challenges led to DPF initiating a strategic review of its operating model framework as well as its overall strategic objectives, to determine the key options available to start addressing its challenges. Based on the outcome of this review and the findings on DPFs current state, DPF was presented with various operating model options and the Board subsequently decided to pursue a strategy option focused on a replacement of its current administration systems with a single and integrated administration system solution (supported by the right service provider) that would better enable the fund to achieve its long term strategic objectives given the fund's current co-sourced administration model.

3. What is going to happen to the old system?

The old system will be retired, and all information archived in the new system for future use.

4. How will the new system affect the members?

It is envisioned that members will enjoy a better service offering through improved accessibility of information key to their pensions records such as receiving statements and fund balances electronically via a web portal. Along with that will be a more efficient customer relationship management strategy through a managed helpdesk, where members will be able to log their enquiries, which are managed through an automated workflow system.

5. Share the important capabilities of the new system?

The core business application is called Everest and encompasses the full retirement fund administration process. The entire solution is not just the administration system, but rather member administration, unitisation, financial accounts, workflow, web interface and document management which provides one of the only end to end solutions in the industry without need for external customization.

6. How safe will member records be during data migration into the new system?

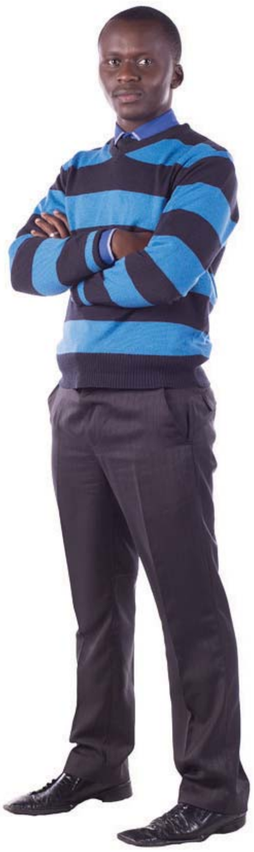
The DPF project team has developed a comprehensive data migration strategy that will include preparing the data by cleaning it, examining how it is extracted, held and verified, and how the data will be moved and transformed into the target system. However the pitfalls are that we must not overemphasize on technology, but also improve the current level data quality, also focusing on the things that bring business benefits.

7. Outline overall cost benefit of implementing the new system?

One of the main benefits of this project is to increase operational efficiency, with a reduction in operating cost per member per month. The new system and support costs are expected to reduce system costs contributing towards cost per member costs by up to 30%.

8. When is the expected GO LIVE and launch?

We expect to go-live in July in line with the tax year end. **LET'S EMBRACE CHANGE** and support the switch!



Fund Rules Revised & Approved

Effective November 2014

The DPF Fund rules were revised and approved by the regulator in November 2014. The DPF Rules is a governing document for both the member and the Fund as it is the key document that governs the operations of the Fund. In other words, It is required by law that the management /administration of your pension as a member must always be in compliance with the rules of the Fund, which must subsequently be in harmony with relevant legislation. It is therefore important for members to familiarise with these rules as they represent the "Who", "How", "What" and "When" of your pension. A copy of the Fund rules is available on the DPF website. www.dpf.co.bw

Omphile Macheng - Risk & Compliance Officer

In order to highlight the changes arising from the 2014 rules review we interviewed DPF Risk & Compliance Officer Omphile Macheng;

1. What were the objective for reviewing the rules in 2014

"The primary intention was to achieve further alignment of the Fund Rules to the Fund operations, especially taking into account changes in the internal and external environments.

Our secondary objective was to determine compliance of the Fund rules to the new Retirement Funds Act along with and other relevant statutory documents to ensure that there is harmony between the documents.

We also reviewed our Death Benefits Distribution Policy and for the same purpose as the Rules.

Having last reviewed the Fund rules in 2009 there was an urgent need to amend them to be in-line with the current legislation and business environment. . It was also essential to workshop the rules with Fund staff and ensure our full understanding of the Rules in order to ensure that we apply them effectively as we conduct Fund business.

2. Please highlight the most significant changes to the current rules that members must be aware of;

Some of the notable changes in the rules are the following;

a) De Beers Global Sightholder Sales or DBGSS has now been included as one of the Participating Employer

b) The Trustee term of office has now been increased from 3 to 5 years in order to improve Board effectiveness.

c) There are also changes in Trustees composition as we now have, in addition to Member Elected and Company Trustees, a vacancy for a Pensioner Trustee, and an additional vacancy for another independent Trustees

d) Morupule Coal Mine was also approved by the Board to become a a standalone constituency independent of OLD Mine, hence it was necessary to amend the rules to reflect such.

e) The retirement benefit option "Life only" has been discontinued, thus reducing the retirement options down to four.

f) Beneficiaries' age limits under Joint life and life with surviving dependents retirement options have now been increased to 25 years from 21 years and incapacitated dependents under these options were made to benefit for life.

g) In addition to the above, certain Accounts that a Fund is required to have are outlined under financial provisions of the rules.

3. What positive changes do you think these changes will bring to the fund and members?

Changes effected on the Rules will lead to a smooth operating environment of the Fund, as it will be compliant with all regulatory requirement, including those contained the revised Retirement Act, NBFIRA Act, BURS Act etc. Changes such as revision of the Trustee term will bring continuity and stability in the implementation of the Fund Strategy. The previous term was too short to allow the Trustees enough time to learn/ train and implement what they have learnt.

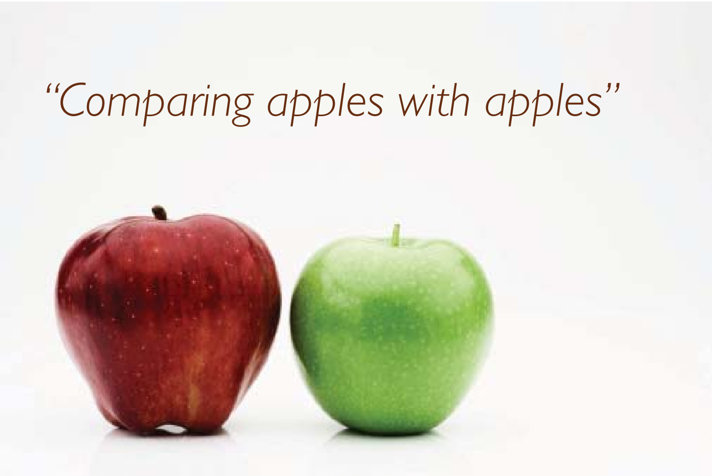
4. In your opinion would you say that the revised rules addressed all the issues that members have in the past raised and asked they be rectified?

The revised Rules have adequately addressed the members concerns in line with the purpose of a Pension Fund. Members need to understand the purpose of a pension Fund and align their expectations to that. Some of the member's requests (such as cashing their pension in full to fund debt) are not sustainable in the long run and actually defeats the purpose of having a Pension Fund. We need to continue to educate our members to a level where they will begin to appreciate a Pension Fund as future (long term) Investment and not a short term cash resource. Preservation of one's pension Fund is key to ensuring a comfortable retirement, therefore members must avoid cashing out from their Funds prior to retirement all costs

5. Your final word to members - about the Rule changes?

Members need to understand the Rules of the Fund from the first day they are enrolled into pension and should continually visit the Fund to check the progress of their investments. This will make them appreciate the level at which their pension can sustain them if they were to retire and therefore be in a better position to make appropriate financial decisions that will enhance their earning potential upon retirement.

The Many Types Of Retirement Funds



This column talks about the different types of retirement funds. This is a way of educating members so that they can appreciate and have knowledge about pension industry. Once in a while a member or a beneficiary would enquire about a certain service and then compare it with a different type of a retirement fund and ask why Debswana Pension Fund (DPF) is not doing more or less the same as that fund, only to realize later that the person is comparing two different things.

With that we would like to make the distinction between retirement funds and how they operate. It is important to take note that like many funds in the industry DPF falls under the pension industry. A pension industry consists of pension funds, provident funds, retirement annuity funds as well as preservation funds. Usually when we talk about a retirement fund (as commonly known) we are using a general term that includes; pension funds, provident funds as well as retirement annuity funds.

Annuity Retirement Funds Vs Pension and Provident Funds

A retirement annuity fund differs from the provident and pension funds by the non-involvement of the employer. A retirement annuity fund is a self-financed pension plan where the individual pays all the contributions, receives all the tax benefits and gets all the concessions that may be available at retirement. A live example is of Metropolitan, Botswana life or Africa 53 among others in Botswana. These organizations have pension policies that do not need the involvement of the employer.

On the other hand a pension and provident fund has the involvement of the employer and without the employer no person can become part or member of that fund. DPF is a clear example of the pension fund in question. All members of DPF are employees or former employees of the participating employers or of Debswana group of companies only.

Provident Funds Vs Pension Funds

There is a thin line between a provident fund and a pension fund and the Income Tax Act is the only instrument that recognizes this difference whereas the Pension Fund Act does not. According to the Income Tax Act the employee contributions to a provident fund are NOT tax deductible. Another difference is that a provident fund allows for the payment of the full benefit as a single lump-sum.

Defined Benefit Vs Defined Contributions

The basic distinction between these two can best be understood by comparing the implications inferred by their names. With a defined benefit scheme, it is the actual benefit that is defined in the rules. As any adjustments are borne by the employer, the employer's contribution rate is always subject to regular valuations and can be changed as and when circumstances dictate. While defined benefit provident funds were an acceptable means of providing for retirement in the past, the effects of inflation and erosion of the value of money has led to these types of funds becoming unpopular. Salary increases, as a result of inflationary pressures also resulted in a serious under-funding of these types of retirement funds and a defined contribution fund ultimately took over.

In a defined contribution scheme however, both the employee and the employer's contribution rates are fixed. DPF is a defined contribution scheme and a record of all the contributions made by the employee and the corresponding employer is kept. This money together with the interest earned while it is invested provides a lump-sum value at the retirement date of the member. Therefore the variable factor is the value of the retirement benefit received by a member on a defined contribution scheme. This scheme in essence means that the risk (or liability) lies with the member but not the fund and the exception is only on the pensioners. With pensioners the fund takes the liability.

Other Types Of Funds Include;

Industrial Funds

These are funds established by the Labor Relations Act and examples include the Motor Industry Pension Fund and the Metal Industries Provident Fund. These funds are fully exempted from the conditions of the Pension Funds Act, except that any particular fund can be called upon to supply such statistical information as the Registrar may, at his sole discretion from time to time require.

Funds Constituted by Law

These are funds set up for government departments, municipalities or Parastatal and are registered according to an Act of Parliament. These funds differ from other funds in the sense that the dissolution of one of these funds, unlike a normal fund would need the approval of the national legislature.

Foreign Funds

As the name implies, if the head offices of all the participating employers of a fund are outside the Republic then the pension or provident fund is regarded as a foreign fund. For retirement an annuity, a fund is considered a foreign fund if the insurer's or fund's head office is outside the Republic of Botswana.

Funds Administered by a Life Insurer

These funds are generally known as insured funds. These funds are only administered by an insurance company and which have all benefits provided through the medium of insurance policies. The insurance company will also provide the investment expertise and management of the assets of the fund. An insured fund does not need to appoint its own valuator as the appointed actuary will also perform the role. The insurer provides the administrative personnel and is also required to appoint an auditor to audit its business.

Self-Administered Funds

These funds usually known as privately administered funds have the employer employing people to administer the fund on behalf of the members. The employed people are considered to be part of the staff complement of the employer and only when the fund grows too large for in-house administration will then be contracted to a professional administrator. Even though the fund is self-administered, benefits such as payable on the death, disablement or retirement of a member are normally secured as a way of life insurance policies.

NB! All the funds have the Board of Trustees who oversee the administration of the fund as such the buck lies with the board. It has to be noted that the work involved in the administration of a retirement will naturally depend on the amount of members that there are in the fund. Even the small fund, the keeping of records, collection of contributions and payment of benefits to pensioners will involve a considerable amount of work. The board management will therefore appoint a fund administrator to provide the manpower and skills needed to administer the fund.

Project Anchor Launch Event:

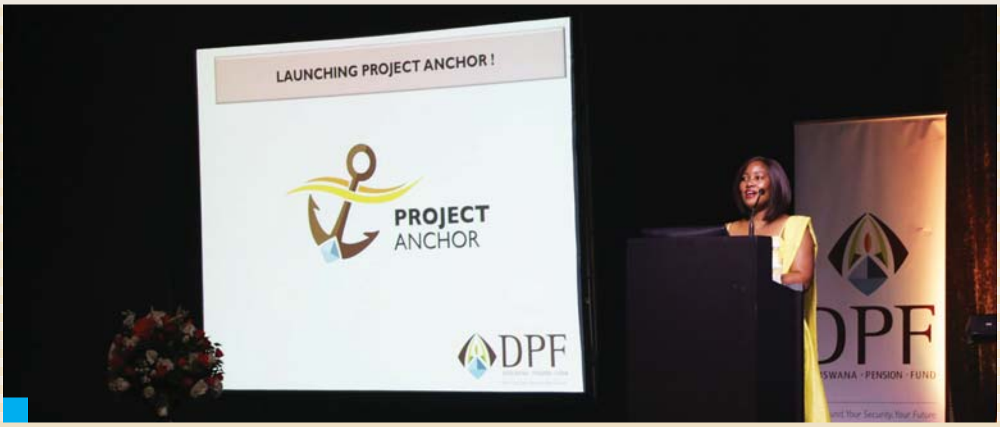
Stakeholders, pensioners and distinguished guests stepped away from their business on April 9th to take part in yet another milestone for DPF as we launched the project to implement the newly acquired EVEREST pension administration system. The project, symbolically named PROJECT ANCHOR, is expected to run until the system go live date of July 2015.

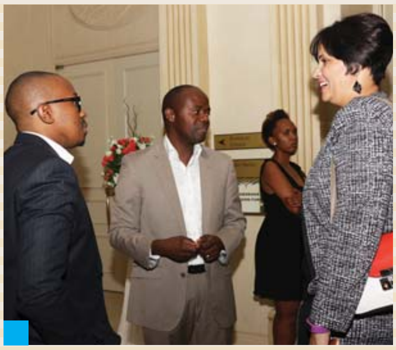
The high profile event held at Gaborone International Convention Centre (GICC) was graced by Managing Directors of Business partner organisations, representatives of participating employers, Trustees as well as the management and staff of DPF.

Giving the welcome remarks, Mr. Vaka pointed out that DPF has been on a transformational journey ever since becoming an independent secretariat in 2007 and great effort and innovation has been applied over the years to drive the Fund to becoming not only a leader locally but a truly global organization. Mr. Vaka gave bold assurance to the guests that as the DPF launches this project, they as the Board of Trustees remain committed and accountable for its successful implementation.

For her part, the Principal Executive Officer Mrs. Gosego January stated that she was more than delighted and honored to present the overview of the project to the anticipatory invitees. She joyfully enlightened the guests on the expected benefits of Project Anchor both internally and externally. In her presentation, she highlighted that the new system is accompanied with a more personalized change vision that states "Trusting our people, processes and technology to achieve extra-ordinary results". She said that by the Fund staff willingness to adapt and embrace this change vision and the accompanying mission statements, an enabling environment will be established for the project objectives to be realised i.e. to achieve an overall improved business capability for positive business outcome.

Giving the closing remarks, the Project Manager Mr. Melvyn Pensee-Arnold gave his vote of thanks to the stakeholders for their continued support as well as thanked his team for their exceptional dedication and efforts to making the project a reality. He hurther assured the audience that great lessons have been learnt from the past that will ensure the success of the project.





1. The big moment - Launching project Anchor!
2. BIFM Acting CEO Neo & Independent DPF Trustee Wanjiru Kirima
3. Board Chairperson Richard Vaka delivers the opening remarks
4. Project Manager and IT Manager Melvyn Pensee-Arnold gives remarks
5. Master of Ceremonies - DPF Investments Manager Bangidza Dhliwayo
6. Investec MD Martinus Seboni and Neo Ebineng
7. DTCB Group HR Manager Mrs Dimbungu
8. Debswana appointed Trustee Lynnette Armstrong with Khumo Properties MD Outule Bale & Tefo Setlhare
9. Project Anchor team Bakani Ndwapi Ernst & Young MD(Implementation Partners), Melvyn Pensee Arnold (Project Manager), Khumo Tsomele (Project Resource for Operations)
10. Human Resource representatives from participating employers
11. DPF Risk & Compliance Manager Neo Ebineng greets Pensioner representatives
12. DPF Trustees, Mooketsi Menyatso, Ian Modubule, Emmanuael Kgaboetsile and George Rantshilwane
13. The Jazville Band serenaded the audience
14. DJ Boogey Sid closed off the event
15. BBMPA Chairpesons from the central region Modipe Nkwe
16. BBMPA Chairpersons for Hukuntsi and Lobatse
17. HR Representative

Mortgage Financing & Protection

Over the years real estate investment has been one of the most common investment instruments around the world and especially for the working class as they use it to build a diversified portfolio towards retirement. Real estate nvestment is a valuable vehicle tool to provide sustainable income if the property is rented, refinanced and it can be an income for a family after the passing of the breadwinner.

Investment instruments like these are capital intensive but with the options available in the market where financial institutions partially fund the purchasing or development it is affordable. The working class can have a mortgage bond contract with the financier and pay a small amount of money on a monthly basis for a specified period of time. With 90% open market value finance and other related costs such as legal & transfer fees, the purchaser has to source 10% deposit and this can be difficult if they have not planned for.

"If you fail to plan, you are planning to fail!" Benjamin Franklin.

Planning should always have a time frame. Time horizon is a very important aspect in achieving financial goals as it allows you to measure the performance and to change strategies going forward if need arise.

Below are planning steps recommendation;

1. Investment Plan
2. Repayment Plan
3. Protection Plan

Investment Plan

It has to start with saving for 10% deposit and other related fees. With that being said, purchasing a mortgage of BWP 1,000,000.00 the financier requests 10% deposit (BWP 100,000.00). This can be difficult to achieve if it had not been planned for, especially if one had not been saving a small percentage (10% - 25%) of their salary. Note that this is only a fraction of the percentage you will pay as installment and it will prepare you to commit 40% financier debit as mortgage installment.

To acquire a mortgage bond is a long term debit with risks such as future inflation rates, default risk, liquidity risk and maturity risk. That means a contingency plan has to be in place to mitigate the risk, so these are some of the questions one has to think of;

How will the consumer price index (CPI) affect the bond?
What will happen if I default?
Will the property be marketable in future?
Will I be employed or have funds to repay the bond over 20 years or so?

If the above questions are answered then it will be easy to secure a mortgage bond.

Repayment Plan

The repayment plan is interlinked to the investment plan because if you can be able to save on a monthly basis towards 10% deposit then it will be easy for you to adjust to a higher percentage (instalment) over a long period of time. The above risks are implemented here due to a long term financial contract with the financier. The other risk to consider is income risk.

Is the repayment plan built on joint income (spouse's income)?

Do you have alternative source of income?

If the mortgage bond is a joint income (family income) if the other spouse income is contracted to repay the bond then the other spouse income take care of household needs. If one spouse passes on, there will be a loss of income therefore the surviving spouse's income will not be sufficient to take care of all the household cost. The financier will continue to demand the installment if the event occurred before the bond maturity. This is where insurance policies can to rescue.

Protection Plan

The reality is that the bond is registered under the financial institution as financial interest and you are just the custodian until the final payment is done. Protection plan has to be in place from the onset to mitigate any risk that may arise during the bond tenure.

Death/ Capital Disability

Insurance companies offer different life assurance products to cover insurable risk that may occur during the bond repayment period. A small amount of money is paid monthly (premiums) to an insurer so that when the insurable event triggers the insurer pays the beneficiary (financier). Some financial institutions include the insurance premiums in the monthly instalment but the client has the liberty to shop around and choose the insurance of his/her choice.

Fire & other perils

The risk section above is covered under short term insurance, so that when the property is damaged it can be rebuilt to its original look or value. It is very important for mortgage bond holder to understand the insurance policies so that all risk can be covered.

If you love life and your family then plan for your future and life of your family after your death. All these recommendations can only be achieved with high discipline by starting early and small.

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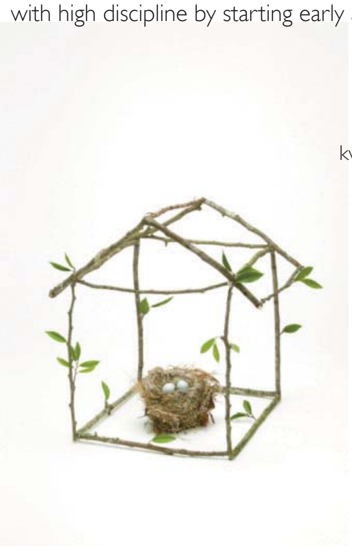

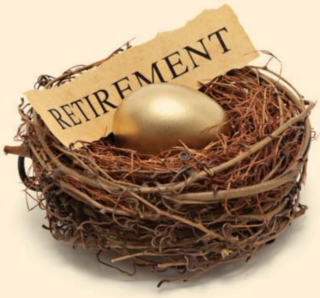

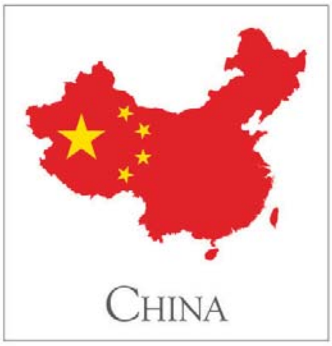

China To Raise Retirement Age As Pressure On Pension Fund Rises

China's pension fund will come under tremendous pressure to break even in coming years and as such, the government needs to gradually raise the official retirement age to salvage the finances, a top official said on Tuesday. Yin Weimin, minister of human resources and social security, said the government will gradually raise the official retirement age, which is as low as 50 for some female workers, but stressed that any policy changes will be phased in over five years. He did not say when retirement ages will be raised.

Analysts have long warned about China's state pension crisis and the severe funding shortage, with some estimating that the cash shortfall could rise to as high as nearly $11 trillion in the next 20 years. Yin said the finances were not as dire for the moment, but warned about challenges ahead. "The pension fund faces tremendous pressure in terms of breaking even in future," he told reporters at a news briefing on the side-lines of the annual meeting of China's parliament.

The fund's income stood at 2.3 trillion Yuan ($367.3 billion) in 2014, exceeding its expenditure of 2 trillion Yuan for the year, he said. But in coming years, the proportion of Chinese over the age of 60 will rise to 39 per cent of the population, from 15 per cent now, Yin said. That would depress the dependency ratio - the ratio of the number of people younger than 15 or older than 64 to the working age population - to 1.3 from the current 3.04, he said. And as China's economy slows to an expected 25-year low of around 7 per cent this year, Yin cautioned that the country's labour market will also face greater pressure.

Employment fell more year-on-year in January and February compared with the same two-month period a year earlier, he said, but added that he was confident China can still create more than 10 million jobs this year. Chinese leaders have repeatedly said they will tolerate slower economic growth as part of the reform process so long as employment levels remain healthy. And some officials have said the Chinese labour market held up last year despite the economic slowdown due to a fast-growing services sector, and brisk job creation in new emerging industries such as the e-commerce sector.

Reuters News
10 March 2015

You may get a lower pension than you think!

If you, as a member of adefined-contribution (DC) retirement fund, think you are on track to receive a pension equivalent to 75 percent of your final salary when you retire, you may have to review your calculations, the latest Alexander Forbes Pensions Index indicates.

The main reason is that bond yields have fallen sharply since January 2002. This, in turn, has made it more expensive to buy a guaranteed annuity (pension), John Anderson, the head of research and product development at Alexander Forbes, says.

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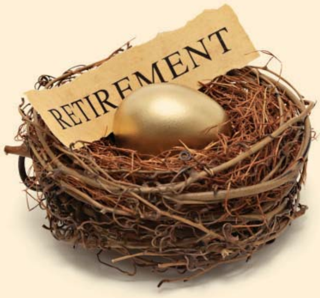
The Pensions Index provides an indication of how the pension that a DC fund member can expect to buy has changed since January 2002. The index tracks the replacement ratios of four retirement fund members, born on January 1, 1982; January 1, 1972; January 1, 1962 and January 1, 1952.

The replacement ratio is a measure of a pension (monthly income in the year after retirement) as a percentage of pensionable pay. Most retirement funds aim to provide their members with a replacement ratio of between 60 percent and 80 percent, provided they have been in a fund for long enough.

On January 1, 2002, the retirement fund members born in 1952, 1962 and 1972 were 30, 40 and 50 years old respectively, and all were on track to receive a pension equal to 75 percent of their salaries when they retired at age 65. In other words, their index value was 75 on January 1, 2002. The member born in 1982 began saving in 2007, at the age of 25, under different investment conditions and, as such, from the outset was on track to replace only 46.9 percent of his salary when he retired.



As the table shows, all four savers have lost ground since they started to save, although their index values improved slightly in the last quarter of 2014. At December 31, 2014, the index values for the savers born in 1952, 1962, 1972 and 1982 were 66.7, 50.1, 40.3 and 37.8 respectively.

Pensionable pay, also known as a retirement-funding income, is a percentage of your total cost to company; it is typically your basic pay and excludes remuneration in the form of allowances.

The rate at which you and your employer contribute to your retirement fund is based on your pensionable pay. The contribution rate of all four savers was 13.3 percent after deducting administration costs and premiums for group risk life assurance benefits.

The effect of lower bond yields is that a person who wants to buy a guaranteed, or life, annuity must have saved more capital in order to receive a reasonable pension in rand terms, Anderson says. For example, a retiree has R1 million and wants to buy a pension for himself and his wife, with inflation-linked annual increases and a 10-year guarantee. In August 2007, his R1 million bought an income of R3 753 a month; in February 2014, it bought a pension of R3 203 a month.

Bond yields are not the only factor influencing the cost of a pension. Anderson says the cost of converting capital to a pension is a function of:

- Your age – the younger you are, or the longer you are expected to live, the more expensive it is;
- Factors that are likely to affect your longevity – for example, whether you smoke, your health status, and your income level;
- Whether you want to make provision for your spouse, and if so, for what amount;
- Whether you want to leave an inheritance to your children;
- The level of pension you require;
- The level of pension increases you require (for example, five percent a year or an increase linked to the inflation rate); and
- The type of annuity you buy and its underlying investment strategy.

Another reason for the decline in the index values is that the returns from all asset classes are expected to be lower, while salaries, on average, continue to increase above the inflation rate (see "High salary increases may mean a lower replacement ratio", via link below).

Anderson says your retirement benefit will consist of:

- Your contributions to date;
- The past returns on those contributions;
- Your future contributions; and
- The future returns on those contributions.

In the past, real (after-inflation) returns were very high, Anderson says. The 1952-born saver is faring better than the other three savers, because he contributed more during the period of high returns and has had more time to benefit from those returns. The accumulated contributions of the younger savers are lower and therefore they do not benefit to the same extent.

When the 1982-born saver began saving in January 2007, expected returns were lower than they were in 2002. This meant that a contribution rate of 13.3 percent was insufficient to provide a replacement ratio of 75 percent, Anderson says.

The returns on all asset classes are expected to be lower than they were in the past. The younger savers will be saving in this lower-return environment for longer than the older individual. This means that younger people will have to save more than the older generation to achieve the same pension, he says.

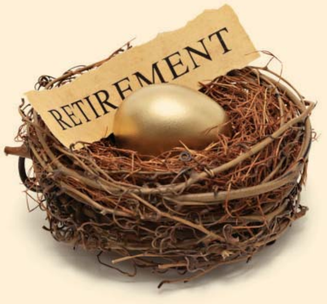
The youngest saver should be invested in higher-yielding assets, but the reality is that the expected returns on all asset classes are lower than those achieved historically, he says.

The 1952-born saver has only three years to retirement, and it is clear that he is not going to achieve a replacement ratio of 75 percent. What, realistically, are his options?

Anderson says there are three things he can do:

- Save more – although he has only a few years left, every little bit will help.
- Review his budget. He should work out his likely income and expenditure in retirement and look for areas where he can cut back.
- Work for longer. It is important that the 1952-born saver looks for ways to supplement his pension by doing some form of work.

Lower returns across all asset classes are a problem for younger savers. Does this mean that fund members are invested too conservatively?



Anderson says that most retirement funds with default investment options use investment strategies that comply with regulation 28 of the Pension Funds Act (also known as the prudential investment requirements). Younger fund members are typically invested in the most aggressive investment strategies.

Members who are approaching retirement are typically phased into a default option with a more conservative investment strategy. At the most extreme, some funds phase fully into cash, Anderson says.

"For these extreme cases, all else being equal, I would agree that the investment strategy would typically be too conservative. In these cases, it is better to have higher-yielding and income-generating assets; in many instances, it would mean substantially reducing the cash allocations to other asset classes," he says.

However, Anderson says it is important to weigh the risks and benefits before making any changes, to ensure that your investment strategy is not too aggressive close to and in retirement, because market volatility will have a significant impact, and there will be more limited scope to deal with this impact on your income.

In addition to preserving your savings when you change jobs and not retiring early, Anderson says you should do the following to retire financially secure:

- Ensure that you are contributing enough relative to your total cost to company;
- Regularly check that you are on track; and
- Review whether you are getting value for money in relation to the fees you are paying;
- Ensure that your investment strategy is appropriate for your retirement goal and risk tolerance – an appropriate strategy is one that has the greatest likelihood of meeting your goal with the lowest likelihood that your minimum requirements will not be met.

By Mark Bechard
http://www.iol.co.za/business/personal-finance/retirement/

The Pension Fund Pickle

Lower expected returns and increasing longevity. Amid heightened uncertainty in global markets, an expectation that investment returns will be lower going forward and a dramatic increase in the average life expectancy, decisions around the investment of pension fund assets are under renewed scrutiny. Will members have adequate resources to retire when the time comes? This question is keeping pension fund trustees awake at night, says Giles Mokoka, MD for SEI Investments South Africa.

SEI is a Nasdaq-listed multi-manager, which serves more than 20 South African clients – mostly pension funds – through its Joburg office. While data suggests that the percentage of South Africans that can retire comfortably without adjusting their lifestyle is fairly low, for those involved in pension fund investment decisions, the current landscape presents considerable challenges. Mokoka says the concern in the local market is whether future earnings will support the current high price-earnings-ratios. Moreover economic growth expectations have consistently been revised downwards and there are strong indications that growth may not reach 2% this year. "Low economic growth will have some effect on returns and the problems with power generation are not helping," he says.

A fresh look at mitigating risks

Mokoka says in times of heightened uncertainty, it is always advisable to focus on risk management, rather than just on achieving higher returns. One of the ways of reducing portfolio risk is through diversification – not only geographically but also through exposure to other asset classes like infrastructure, private equity and other alternatives, he says. The international stock market landscape has changed quite considerably over the past decade. Mokoka says whereas the US used to be the largest investment destination, these days 64% of the investable universe are outside the US. Emerging markets have become much easier and cheaper to access and liquidity has improved.

Rate hike

While global markets are widely expecting the US Federal Reserve to hike rates in the near future, the first hike or first few hikes won't necessarily be bad for the US equity market, Mokoka says. Some research has shown that in the 12-month period following the Fed's first rate hike, US markets, the S&P 500 in particular, has tended to be positive and have been up around 7.2% following a rate hike on average, he says. Looking at equity markets more broadly, any potential pullback will offer an opportunity to buy on the dip and to add to the strategic positioning rather than to change views altogether, he says.

By Ingé Lamprecht
Moneyweb

High Blood Pressure

High blood pressure, also known as Hypertension (HPT) is one of the major risk factors for developing heart disease. Blood pressure" is the force of blood pushing against the walls of the arteries as the heart pumps blood. If a person has high blood pressure it means that the walls of the arteries are receiving too much pressure repeatedly.

SIGNS AND SYMPTOMS OF HIGH BLOOD PRESSURE

- Headache - usually, this will last for several days.
- Nausea - a sensation of unease and discomfort in the stomach with an urge to vomit.
- Vomiting - less common than just nausea.
- Dizziness - Lightheadedness, unsteadiness, and vertigo.
- Blurred or double vision (diplopia).
- Epistaxis - nosebleeds.
- Palpitations - disagreeable sensations of irregular and/or forceful beating of the heart.
- Dyspnea - breathlessness, shortness of breath.

CAUSES OF HIGH BLODD PRESSURE

- Diabetes
- Smoking
- Lack of exercise
- Family history
- Obesity/overweight
- Mental stress
- Poor diet with a high fat and salt intake

TIP:
If you have close family members with hypertension, your chances of developing it are significantly higher so you should have your blood pressure checked. Most pharmacies can do this for you.

HOW HIGH BLODD PRESSURE IS TREATED

HBP is often treated with medication and most people with it will need lifelong treatment. However, a change of lifestyle and healthy eating habits is essential.

HOW TO CONTROL HIGH BLOOD PRESSURE

1. Exercise regularly
Regular physical activity - at least 30 to 60 minutes most days of the week - can lower your blood pressure and it doesn't take long to see a difference. If you haven't been active, increasing your exercise level can lower your blood pressure within just a few weeks.

2. Eat a healthy diet
Eating a diet that is rich in whole grains, fruits, vegetables and low-fat dairy products and skimps on saturated fat and cholesterol can lower your blood pressure.

3. Reduce sodium in your diet
Even a small reduction in the sodium in your diet can reduce blood pressure by 2 to 8 mm Hg. The recommendations for reducing sodium are:

- *Track how much salt is in your diet.*
  Keep a food diary to estimate how much sodium is in what you eat and drink each day.
- *Read food labels.*
  If possible, choose low-sodium alternatives of the foods and beverages you normally buy.
- *Eat fewer processed foods.*
  Potato chips, frozen dinners, bacon and processed lunch meats are high in sodium.
- *Don't add salt.*
  Just 1 level teaspoon of salt has 2,300 mg of sodium. Use herbs or spices, rather than salt, to add more flavor to your foods.
- *Ease into it.*
  If you don't feel like you can drastically reduce the sodium in your diet suddenly, cut back gradually. Your palate will adjust over time.

4. Limit the amount of alcohol you drink
Alcohol can be both good and bad for your health. In small amounts, it can potentially lower your blood pressure by 2 to 4 mm Hg. But that protective effect is lost if you drink too much alcohol - generally more than one drink a day for women and men older than age 65, or more than two a day for men age 65 and younger. Also, if you don't normally drink alcohol, you shouldn't start drinking as a way to lower your blood pressure. There's more potential harm than benefit to drinking alcohol.

REMEMBER: BE ACTIVE!!!

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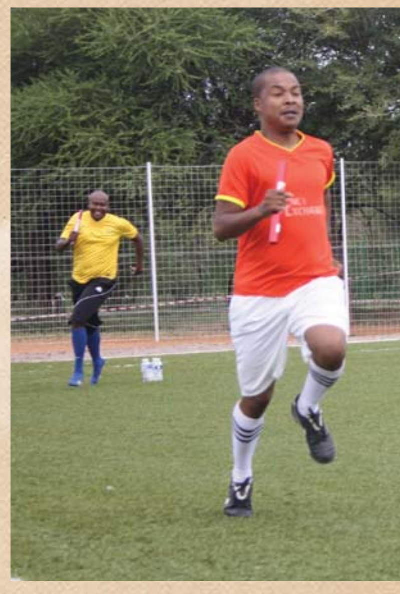
Pictures & Events:

Interpension Games:



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PROJECT ANCHOR VISION AND VALUES

OUR CHANGE VISION

"Trusting our people, processes and technology to achieve extraordinary results"

CHANGE VALUES

- We will deliver through cohesive teams
- We will communicate openly, honestly with transparency
- We are able, available and ready
- We will make the right decisions at the right times

PROJECT ANCHOR™