



# BOTSWANA PUBLIC OFFICERS PENSION FUND

## 2005/2006 TRUSTEE REPORT

### CHAIRMAN'S FOREWORD

In the high-speed, high-pressure world we live in, taking care of your personal financial matters is as important as it is often difficult. More demands are being made on your schedule and your pocket. You have to find a balance between taking care of immediate expenses and saving for the future and you have to make time to think about and actually plan your finances - all while juggling life's many other pressures.

Through your employer, you belong to a Pension Fund that makes sure you are saving for your later years. It also provides important information and insight to help you apply your mind to your finances. Thinking about your money is not always easy - especially since it often seems to flow out of your bank account faster than you can say the word "expenses". However, by reading this Trustee Report, you are making a start. We hope that what you read in this Report makes a difference to how you think about your money and how you shape your retirement - regardless of what pressures life may bring.

D N Mokgethi  
Chairman



## POST YEAR-END EVENTS

### Appointment of asset consultants

In view of the size of the BPOPF portfolio, the Board of Trustees found it necessary to secure the service of an asset consultant. In doing so, the BPOPF undertook a competitive tendering process and as a result Alexander Forbes Asset Consultants were appointed with effect from 1 April 2006. The asset consultant's functions/responsibilities include the following:

- **Consulting:** This entails formulation of investment strategies, drafting investment policies, development of benchmarks and asset manager performance, facilitation of manager selection process, survey of custodians, monitoring and evaluating investment managers locally and abroad, mediating between the investment managers and the Fund and advising on legal matters.
- **Research:** This focuses on undertaking asset manager research, researching on different investment products and providing the Trustees with all relevant information regarding investment portfolios.
- **Reporting:** This entails reporting to the Investment Committee and the Board of Trustees entailing summary of market returns and statistics, comparative analysis of investment portfolios' performance, composition of assets and general advice on portfolios and asset managers.

## TRUSTEES

**The savings that you build up over time in your Pension Fund are probably going to become the largest asset that you own. It is therefore important that the money is protected and the most visible protection you will find comes in the form of your Trustees, who manage the Fund.**

The Board of Trustees consists of (17) seventeen members and (15) fifteen alternates. The Trustees have a fiduciary duty to act in your best interests at all times. The Board of Trustees meets quarterly to discuss the following:

- Interest rate to be applied to members' Fund Credits
- Performance of investment managers
- Administration report
- Cashflow statements
- Death claims
- Benefits placed in trust

As at 31 March 2006 the Trustees were:

Member Trustees	Constituency
Mr JB Radibe	BTU
Mr LU Mutheto	ABOTEL
Mr GB Molelwane	BULGSA
Ms A Bopa	BULGSA
Ms C Sesinyi	BCSA
Mr M Magola	BCSA
Mr KA Kgasa	BTU

Alternate Member Trustees	Constituency
Ms V Mogapi	BTU
Mr A Yalala	ABOTEL
Mr P Baeng	BULGSA
Mr D Kganyane	BULGSA
Mr JM Rammipi	BCSA
Mr PC Zambo	BCSA
Ms OD Kentshitswe	BOTASA
Mr ECL Dtau	BOFESETE

Employer Trustees	Constituency
Ms KK Moepeng	DPSM
Mr JD Duha	Police
Mrs OL Ntsima	Prisons
Mr O Makhandlela	TSM
Brigadier G Peke	BDF
Mr BLB Reetsang	DGLSM
Mrs GS Mapitse	MFDP
Mrs KD Rathedi	TribalAdmin

Alternate Employer Trustees	Constituency
Ms YK Galeage	DPSM
Mr IG Bagopi	Police
Mr R Messe	Prisons
Ms LB Bantsi	TSM
Brigadier B Mosugelo	BDF
Vacant	DGLSM
Vacant	MFDP
Vacant	TribalAdmin

Pensioner Trustee	Constituency
Mr BO Gaobakwe	BCSPA

Alternate Pensioner Trustee	Constituency
Mr E Maswabi	BCSPA

Independent Trustee	Constituency
Mr DN Mokgethi (Chairman)	

Principal Officer	Constituency
Mr EDM Letebele (CEO, BPOPF Secretariat)	

**Previously DPSM appointed the Fund's Principal Officer. However, subsequent to the appointment of a full time Principal Officer, DPSM assumed the role of an Employer Trustee.**

The Board of Trustees has delegated some of its duties to committees which meet monthly. The current committees are the Investment Committee and Death Benefits Committee.

The mandates of these committees include the following:

Investment Committee:

- Reviews investment strategies;
- Receives investment updates;
- Monitors and evaluates investment managers.

Death Benefits Committee:

- Reviews and evaluates members files in the event of the death of a member, pensioner or deferred member;
- Ensures equitable apportionment of the benefits to dependants.

## MOVEMENT OF TRUSTEES FOLLOWING THE FINANCIAL YEAR ENDING - 31 MARCH 2006

Appointments to the Board of Trustees		
Mr P Kgare	Alternate Employer Trustee (DLGSM)	12/4/2006
Mrs B Coyne	Alternative Pensioner Trustee (BCSPA)	1/4/2006
Mr A Tayane	Alternative Employer Trustee (DPSM)	1/4/2006

Resignations		
Mr E Maswabi	Alternative Pensioner Trustee (BCSPA)	1/4/2006
Mr BLB Reetsang	Employer Trustee (DLGSM)	31/5/2006
Ms YK Galeage	Alternative Employer Trustee (DPSM)	27/3/2006
Mrs KD Rathedi	Employer Trustee (TribalAdmin)	1/4/2006

The Trustees are responsible for managing the Fund and ensuring that the Fund is administered properly and that the Fund's assets are invested prudently. In this regard, the Trustees have a duty to seek professional advice in areas where they do not have the necessary expertise. As at the year ended 31 March 2006, the following companies assisted the Trustees in the complex task of running your Fund:

Actuaries
Deloitte Actuarial & Insurance Solutions

Auditors
PricewaterhouseCoopers

Bankers
Standard Chartered Bank Ltd

Administrators and Consultants
Alexander Forbes Financial Services Botswana (Pty) Ltd

Investment Managers
African Alliance Botswana (Pty) Ltd
Botswana Insurance Fund Management Ltd
Investec Asset Management Botswana (Pty) Ltd
Fleming Asset Management (Pty) Ltd

Lawyers
Molatlhegi & Associates

The duties of the service providers are as follows:

- **Actuaries** must make sure that the Fund's assets match the liabilities and recommend the apportionment of the Fund's returns to the members of the Fund.
- **Auditors** are appointed to ensure, amongst others, that contributions are paid by their due date; to ensure compliance with provisions of the Pension and Provident Funds Act; to ensure that accounts meet minimum international accounting standards; to ensure statements fairly represent accurate reflection of the Fund's financial position and to ensure that correct benefits are paid.
- **Bankers** hold the Fund's administration account. This account is utilised to settle the Fund's expenses and benefits payments.
- **Administrators and consultants** look after the day-to-day running of the Fund, making sure that contributions are paid into the Fund on time and that benefits are paid out, etc. On the other hand, they must keep the Fund in a healthy situation overall, dealing - where necessary - with the investment managers. They also provide pre-retirement counselling services to retirees. They must also make sure that the Fund complies with the laws that govern pension funds and international best practice. A very important part of their duties involves making sure that the Fund communicates with its members on all important issues and provides pre-retirement counselling to members.
- **Investment managers** must make sure that the business of the Fund is profitable; in other words that the Fund's investments make money for its members in the long term.
- **Lawyers** are responsible for advising on legal issues.

**The service providers are required to report to the Board of Trustees at their quarterly meetings.**

As at 31 March 2006 the membership was as follows:

	Number of members	
	2006	2005
Active members	79,947	73,249
Deferred members	2,121	1,516
Pensioners	3,142	2,528
Spouse/orphan's pensioners	119	45
<b>Total</b>	<b>85,329</b>	<b>77,338</b>

## FUND'S FINANCIAL STATEMENTS

Below is an extract from the Fund's Financial Statements as at 31 March 2006.

	Income and Expenditure to 31 March 2006	
	2006 P	2005 P
<b>REVENUE</b>		
Members' statutory contributions	184,108,757	163,628,027
Employer's contributions	552,271,845	490,882,907
Members' voluntary contributions	314,953	275,367
Transfer from the Government of Botswana	737,367,948	1,781,609,337
Other income	3,300	3,450
Net rental income	1,009,158	-
Profit/(Loss) on disposal of investments	231,921,333	(86,057,770)
Dividends received	176,612,454	114,824,750
Interest received	623,506,960	575,695,820
<b>Total Revenue</b>	<b>2,507,116,708</b>	<b>3,040,861,888</b>
Management expenses	(135,407,633)	(95,487,284)
<b>Net revenue</b>	<b>2,371,709,075</b>	<b>2,945,374,604</b>
Changes in fair value of investments	3,076,201,200	1,354,775,861
Change in fund balance during the year	5,447,910,275	4,300,150,465
Fund balance at beginning of year	14,102,504,197	11,777,650,061
Fund balance before benefits	19,550,414,472	16,077,800,526
<b>NET BENEFITS PAYABLE</b>		
Monthly pensions	(92,289,985)	(68,239,147)
Lump sum payments on withdrawal	(37,778,557)	(33,708,974)
Lump sum payments on death	(111,316,913)	(102,798,615)
Lump sum payments on retirements	(575,714,622)	(501,889,072)
<b>Total net benefits payable</b>	<b>(817,100,077)</b>	<b>(706,635,808)</b>
<b>Transfers to reserves</b>	<b>(215,628,584)</b>	<b>(1,268,660,521)</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>18,517,685,811</b>	<b>14,102,504,197</b>

## BALANCE SHEET AS AT 31 MARCH 2006

	2006 P	2005 P
<b>FUND</b>		
Fund account	18,517,685,811	14,102,504,197
Reserve account	259,492,103	371,002,528
Pension account	1,327,415,891	1,011,440,821
Death and disability account	40,246,987	29,083,048
<b>Total fund and reserve</b>	<b>20,144,840,792</b>	<b>15,514,030,594</b>
<b>NET ASSETS</b>		
<b>Non Current Assets</b>		
Property, plant and equipment	638,743	-
Investments	19,632,855,667	15,231,990,210
	<b>19,633,494,410</b>	<b>15,231,990,210</b>
<b>Current Assets</b>		
Accounts receivable	506,029,312	413,738,878
Cash at bank	298,382,729	43,779,262
	<b>804,412,041</b>	<b>457,518,140</b>
<b>Current liabilities</b>		
Benefits payable	292,430,911	175,354,565
Accounts payable	634,748	123,191
	<b>293,065,659</b>	<b>175,477,756</b>
	<b>20,144,840,792</b>	<b>15,514,030,594</b>

## FUND'S INVESTMENTS

The Fund is primarily concerned with long-term growth. Therefore, its investment objective is to maximise returns over the **long term**. The Fund invests in traditional asset classes, such as cash, fixed interest/bonds, property and shares/equities. In pursuit of the growth objective, it is necessary to invest a significant portion of the Fund's assets in shares (equities), as this asset class has historically provided the best return.

In the short term, investments in shares are more volatile. This means that their value can fluctuate a lot over the short term. Over the long term, however, the Trustees expect the effects of this volatility to be offset by superior returns when compared to the other asset classes. This is important for you as a member of the Fund because your benefit at retirement is based on the returns of your pension fund throughout your period of membership of the Fund.

Conversely, for members who elect to purchase an annuity from the Fund (pensioners), their optimal asset allocation strategy is to invest the majority of the assets in local bonds and other fixed income instruments. This is because pensioners have already attained their retirement age and need to be paid their salaries (draw an income) on a monthly basis, hence investing their portfolio in less volatile assets. The Pensioner Portfolio also invests the majority of its assets locally to minimise any exchange rate risks.

The table below explains the different types of investment /asset classes in relation to their volatility over the long term.

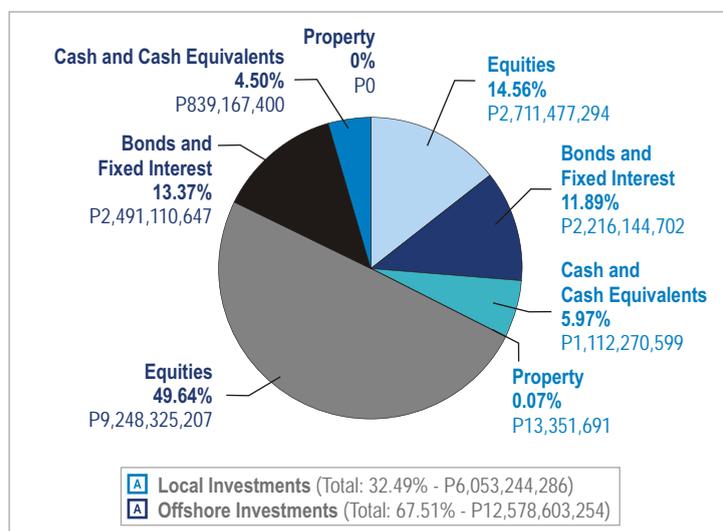
	Type of investment / asset class	Volatility and investment returns
Cash	Cash investments are basically where you place money with a bank, which in return pays you interest. You invest in cash when you need a secure return and when you cannot afford the value of the investment to decrease.	Cash is generally considered the 'safest' investment because the value of your investment will not drop. However, the long-term investment returns on cash are usually poorer than on all the other asset classes.
Fixed Interest/Bonds	Bonds are where you simply lend money to somebody who agrees to pay you interest and to give your capital back at the end of a predetermined period. The value of a bond is determined by current interest rates. You invest in bonds because bonds are less risky than shares. In addition, they will in general give better returns than cash. Bonds assist in diversifying your portfolio and so reduce the risk in your portfolio.	Bond values can change quite quickly. The value of the investment depends on current interest rates. Although bonds do experience volatility, they are usually less volatile than shares.
Property	Property investments are investments in land and buildings such as office blocks, shopping centres and industrial parks. Investors in property receive rental income and they also expect the value of their properties to grow over time.	Property investments can have a certain level of capital risk if issues such as location, market trends and quality of tenants have not been considered properly.
Shares/Equities	Shares/equities are where you purchase a "share" or part of a company. As a shareholder, you should earn dividends, which are your portion of the distributable profit of the company.	Shares/equities are the investments that change in value the fastest and most often of all the investments. Share prices can move quite dramatically over short periods of time and are therefore very volatile. Shares do, however, tend to produce the best investment returns over the long term.

African Alliance Botswana Ltd, Botswana Insurance Fund Management Ltd, Investec Asset Management Botswana (Pty) Ltd and Fleming Asset Management (Pty) Ltd, are the investment managers of your Fund. They invest the Fund's assets in a range of diversified investment instruments, both onshore and offshore. The split between the assets invested both onshore and offshore as at 31 March 2006 was as follows:

## Active Portfolio

### Active Portfolio Asset Allocation As At 31 March 2006

All amounts indicated are in Pula

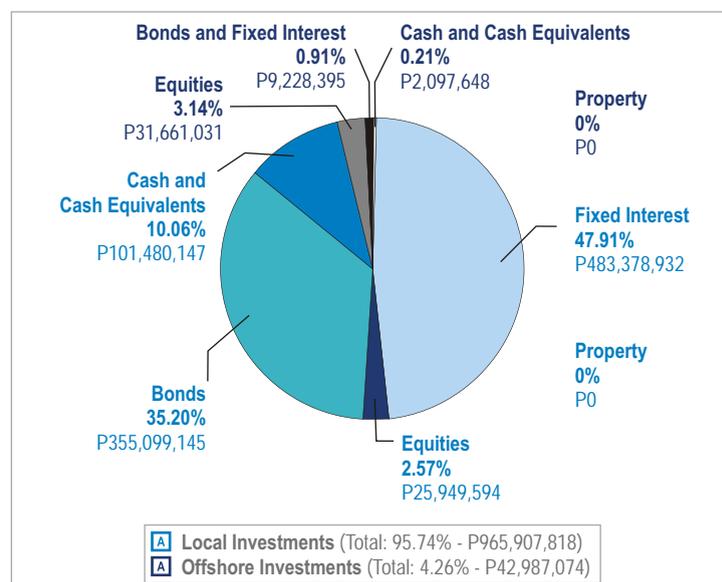


\* Active Portfolio - Both Active and Deferred Members

## Pensioner Portfolio

### Pensioner Portfolio Asset Allocation As At 31 March 2006

All amounts indicated are in Pula



## FINANCIAL REVIEW

The Fund's actuary carried out a financial review of the Fund as at 31 March 2006. The Fund was found to be in a sound financial position. The results of the financial review of the Fund are noted below:

### DECLARED INTEREST RATE FOR THE YEAR ENDING 31 MARCH 2006

As a result of the good investment return earned by the Fund, the Trustees are pleased to inform the members that they have declared a final interest rate of 29.6% for both active and deferred members for that year.

The Trustees were also able to declare a bonus (increment) of 11% to those pensioners who have opted for a "with-profit" annuity. The increment is with effect from 1 April 2006.

## INTERIM INTEREST RATE FOR THE YEAR BEGINNING 1 APRIL 2006

The Fund's investment returns cannot be accurately determined until after the end of the Fund's next financial year. The Trustees therefore set an interim interest rate which is reviewed quarterly to be applied to the benefit calculation of all members who leave the Fund during the period commencing 1 April 2006.

The interim interest rate for the period commencing 1 April 2006 has been set at 7.7% per annum (based on actual performance). The Trustees wish to stress that this interim rate will only apply to members who leave the Fund from now until the next Financial Review has been concluded.

The Trustees, with the help of the Fund's actuary, will accurately determine the Fund's actual investment returns after the next financial year-end (31 March 2007) and will then decide on a final, or declared, interest rate for the previous year. This declared rate would then be applied retrospectively to all active members' benefits at that time. For deferred members, the declared rate will be applied on their remaining benefit held in the Fund at that time.

## BENEFIT STATEMENT

Each year you receive a benefit statement (as at the Fund's year end) showing:

- How much you and your employer have contributed to the Fund on your behalf;
- Your withdrawal (resignation) benefit;
- Your death benefit;
- Your disability benefit; and
- Your retirement benefit.

Members are encouraged to check the accuracy of the details on their benefit statements. In the event of an error being detected, members should contact their Appointing Authority to raise the issue.

## RULE AMENDMENTS

The Fund is governed by the Pension and Provident Funds Act (1988) and its Regulations, the Income Tax Act (1995) and the Rules of the Fund. It is a requirement for the Fund to submit any suggested rule amendments to the Registrar of Pension and Provident Funds and Botswana Unified Revenue Services (BURS) for approval. Rules can not be registered retrospectively. These must be submitted thirty days prior to their effective date.

## NOMINATION OF BENEFICIARIES FORM

**Every member is required to complete a Nomination of Beneficiary Form. The purpose of the Nomination of Beneficiary Form is to guide the Trustees in the apportionment of benefits in the event of the death of a member, pensioner or deferred pensioner according to the Pension and Provident Funds Act Regulations Paragraph 20 (2).**

The Rules of the Botswana Public Officers Pension Fund in particular Rule 6.2.4 give the Trustees the discretion to apportion the benefit following the death of a member, pensioner or deferred pensioner

provided that where a person nominated by a member, pensioner or deferred member is a minor. The Trustees have the discretion to place benefits due to a minor in trust or purchase an annuity on behalf of the minor from a registered insurer. Death benefits payable by the Fund are therefore not distributed solely according to the deceased wishes, but instead according to the Rules of the Fund, which are governed by the Pension and Provident Funds Act (1988) and its Regulations, the Income Tax Act (1995).

The Trustees are expected to take reasonable steps to trace all the dependants of the deceased member, pensioner or deferred member and distribute the benefits in an objective and reasonable manner.

Prior to the distribution of the benefits the family of the deceased member, pensioner or deferred pensioner completes a Disposal of Death Benefit questionnaire, which is administered by the ministry/department where the officer was employed. This document is intended to assist the Trustees in identifying and confirming the dependants. The administration of the questionnaire involves the family, the Chiefs and District Commissioners who authenticate the dependants as stated in the Disposal of Death Benefit questionnaire.

Following the establishment of the dependants the Trustees then apportion the benefit in an equitable manner taking the following factors into consideration:

- a) The age of the dependants;
- b) The relationship with the deceased;
- c) The extent of the dependency;
- d) The financial affairs of the dependants (minor versus major dependants);
- e) The future and potential prospects of the dependants;
- f) Wishes of the deceased as can be inferred from his/her Nomination of Beneficiary Form;
- g) The Fund Credit (small or large); and many other factors.

For example, if Mr XYZ lived with his wife and two children aged 19 and 5, and they were fully dependent on him for all their needs. He also bought his mother groceries once a month to assist her. He would allocate most of the benefit to his wife and children and a smaller amount to his mother as she was not as dependent on him as his wife and children. It is also important to consider allocating a greater percentage to younger children as their needs would be required to be supported for a longer time, i.e. until they were old enough to support themselves (normally age 21).

Mr XYZ's Nomination of Beneficiaries Form would therefore look something like this:

Dependant's Surname	Dependant's First Name	Date of Birth	Share of Benefit	Relationship	Postal Address
xyz	Khumo	23/10/1967	40%	Wife	PO Box 000 Serowe
xyz	Nametso	15/11/1987	20%	Daughter	PO Box 000 Serowe
xyz	Thabiso	07/08/2001	35%	Son	PO Box 000 Serowe
xyz	Gorata	05/08/1950	5%	Mother	PO Box 000 Masunga
TOTAL			100%		

If you need to complete a Nomination of Beneficiaries Form, please contact your Appointing Authority, or one of the Trustees who will be able to assist you.



## CONTACT DETAILS

Name	Employer/Employee/Pensioner	Telephone #
Mr DN Mokgethi	Independent Trustee & Chairman	3973269
Mr EDM Letebele	Principal Officer	3158422
Ms KK Moepeng	Employer Trustee (DPSM)	3958820
Mrs GS Mapitse	Employer Trustee (MFDP)	3950246
Mr JD Duha	Employer Trustee (Police)	5337666
Mrs O L Ntsima	Employer Trustee (Prisons)	3611740/3914022
Mr O Makhandlela	Employer Trustee (TSM)	3657375
Brigadier G Peke	Employer Trustee (BDF)	3662855
Mr BO Gaobakwe	Pensioner Trustee (BCSPA)	3956495
Mr M Magola	Member Trustee (BCSA)	3935775
Mr JB Radibe	Member Trustee (BTU)	5777606
Mr L U Mutheto	Member Trustee (ABOTEL)	2484295
Mr GB Molelwane	Member Trustee (BULGSA)	2978302
Ms A Bopa	Member Trustee (BULGSA)	6596236
Mr KAKgasa	Member Trustee (BTU)	3955024
Ms C Sesinyi	Member Trustee (BCSA)	2622747
Mr R Messe	Alternate Member Trustee (Prisons)	3611743
Brigadier B Mosugelo	Alternate Employer Trustee (BDF)	3662303
Ms OD Kentshitsuwe	Alternate Member Trustee (BOTASA)	5889221
Mr IG Bagopi	Alternate Employer Trustee (Police)	3951161
Mr ECL Ditau	Alternate Member Trustee (BOFESETE)	3952951
Ms LB Bantsi	Alternate Employer Trustee (TSM)	3657365/372347
Mr PC Zambo	Alternate Member Trustee (BCSA)	3912402
Mr JM Rammipi	Alternate Member Trustee (BCSA)	3617183
Mr A Yalala	Alternate Member Trustee (ABOTEL)	3956324
Mr D Kgamanyane	Alternate Member Trustee (BULGSA)	5330392
Mr P Baeng	Alternate Member Trustee (BULGSA)	5404183
Ms V Mogapi	Alternate Member Trustee (BTU)	3953278
Mr A Tayane	Alternative Employer Trustee (DPSM)	3958700/3958794
Mr P Kgare	Alternative Employer Trustee (DLGSM)	3612813
Mrs B Coyne	Alternative Pensioner Trustee (BCSPA)	3121006

The Fund's Rules are available at the BPOPF Secretariat's office and respective Appointing Authority. If you have any questions regarding the Fund, including what benefits are payable by the Fund, please contact the BPOPF Secretariat or one of the Trustees.

## FUND DETAILS

**Fund Name:** Botswana Public Officers Pension Fund

**Registered Address:** The Principal Officer  
P/Bag 00195  
Gaborone  
Botswana

**Contact Numbers:** **3158422**

In the event of any conflict between the information provided in this document and the official Rules of the Fund, the provisions of the Rules shall prevail.

For further clarity on any of the following issues, please contact the Secretariat or one of your Trustees:

- Withdrawal benefit
- Retirement benefit
- Nomination of Beneficiaries Form
- Benefit statement
- Pre-retirement counselling
- The Defined Benefit Government Pension Scheme versus the new Defined Contribution Scheme