



# Botswana Pensions Society drills trustees on retirement funds



Master of Ceremony, Mr Karabo D.Matala



BPS Chairman, Mr Peter Hikhwa



Presenters receiving tokens of appreciation



Delegates listening attentively

Botswana Pension Society (BPS) in partnership with Barclays Bank Botswana Ltd held its second Trustee Seminar for 2017 last week in Gaborone.

The seminar deliberated on two topics being: "Distribution of Death Benefits under Retirement Funds Act, 2014", presented by Professor Mtende Mhango from University of Forte Hare, South Africa and "Exchange Traded Products" (ETFs) which was jointly presented by Head of Exchange Traded Products, Absa Corporate and Investment Banking Division, Mr Michael Mgwaba and Mr Len Jordaan.

The Master of Ceremonies for the event was Mr Karabo Ditau Matala of the BPS Committee, who is also the Chair for the BPS Events Committee, whilst the welcome remarks were given by the BPS Chairman, Mr Peter Hikhwa.

Moving on to the first presentation, under the topic, "Exchange Traded Products", the following was noted:

Barclays Africa, the originator of the largest issuers of Exchange Traded Funds (ETFs) in South Africa with secondary listings with other African Exchanges including Botswana Securities Exchange (BSE), presented ETFs to Botswana Pensions Society under the theme new generation for investing. They highlighted that ETFs are open-ended index or commodity funds that are listed and traded on exchanges like stocks.

The ETFs enable investors to gain broad exposure to entire stock markets, different asset classes that were previously unavailable but very attractive to investors like gold through NewGold ETFs and to different investment themes. Some of the key features for ETFs is that they are cost effective compared to other forms of investing. Their biggest advantage is they offer diversification and investor protection.

The ETFs are the fastest growing investment segment currently with global assets under management (AUM) of approximately USD4.5 trillion. ETFs are expected to grow to USD7.6 trillion by 2020 and passive AUM is expected to exceed active AUM by 2027 according to research done by Ernst and Young. These are some of

ETFs products that can be used to construct the investment portfolio, NewGold ETFs, it is one of the flagship products also available through BSE platform, it is designed to track gold, gold is considered as store of value (safe heaven), a hedge against Pula weakening against USD and good diversification tool in an investment portfolio. Another commodity product for investors to consider is NewPlat ETFs, also listed with BSE, its demand and supply is driven by industrial use i.e. auto industries. It's a good diversifier that can be used as defensive investment in the investment portfolio. Inflation Linked Bond Index ETFs is also available in Botswana, designed to provide investors with real return over inflation. It is generally used as hedge against inflation given that its inflation linked and it's a good risk diversifier.

In his presentation, Professor Mhango amongst other things, outlined the four duties of the Board of Trustees under the Act, relating to the distribution of death benefits. These duties are briefly described below:

#### DUTY TO COMPLETE A NOMINATION FORM

In terms of Regulation 29(1), a fund shall require its members to complete beneficiary nomination forms on entry to the fund, when the member's dependants changes, or when the member changes his or her desired distribution amongst dependants. This means that the trustees have a duty to ensure that every member of the fund has completed or updated his/her nomination form. Regulation 29(2) on the other hand places an obligation on the member to complete a beneficiary nomination form and identify each dependant and or nominee and may give reasons as to why that particular distribution is his/her preferred distribution.

In order to achieve the above duty it means, trustees must put in place a system (s) to ensure that members are made aware of their rights and obligations and that enable them to carry out this obligation. As an example, the trustees may develop a standardized form that members are required to complete or update from time to time. Having said this, the trustees must ensure confidentiality in this process in order to encourage members to disclose all their dependants.

#### DUTY TO INVESTIGATE

It is very important for the trustees to conduct investigations for

a number of reasons. Regulation 29(3) states that, "if the board is satisfied that there are no dependants other than those stated on the most recent beneficiary nomination form and that the member's desired distribution amongst beneficiaries is reasonable, the board may accept the direction given by the beneficiary nomination form". This statement implies a duty to investigate and trace the dependants of the deceased. The statement also gives two reasons which make a nomination form binding on the fund and trustees and they are: (a) no dependant has been excluded from the nomination and (b) the nomination is reasonable. It should be noted therefore that the new Act makes it hard for a nomination to be ignored, as this can only happen if both conditions (a) and (b) above have failed. As a general rule, a nomination is no longer a guide, it only becomes a guide if it fails to meet the conditions above.

In the context of investigations, a board can use affidavits but cannot rely on affidavits alone.

#### DUTY TO MAKE EQUITABLE DISTRIBUTION

The Act states that the board may pay benefits in such proportions as it deems equitable. In this regard, Regulation 29(5), provides guidelines on what would constitute equity, by requiring it to consider the following: (a) degree of dependency, (b) age of dependant or beneficiary, (c) likely duration of dependency, (d) relationship to the deceased, (e) nomination form and (f) any distribution made by the deceased in his/her will.

#### DUTY TO PAY

The trustees have a duty to pay within 12 months, where no dependants exist. Additionally, the trustees must determine the best method of payment. The available methods are: (a) direct payment to a major beneficiary, (b) payment to a trust, (c) payment to a person recognised in law or appointed by a court as the person responsible for managing the affairs of that dependant or nominee, (d) payment to a beneficiary fund.

The Seminar ended with a vote of thanks from Ms Julia Thekiso, the Principal Officer of Botswana Railways Staff Pension Fund.