

## **DCEO's OPENING REMARKS**

### **BOTSWANA PENSION SOCIETY ANNUAL CONFERENCE**

**27<sup>TH</sup> FEBRUARY 2020**

1. **Ladies and gentlemen**, good morning! It is a privilege and honour to address you in this unique gathering, which brings together Trustees, Key Representatives from the financial sector. In short, bringing the Retirement Funds Industry together for a common objective, that of continuous sharing experiences and learning...
2. I would like to thank you for your attendance and participation in this BPS prestigious Annual Conference. I am also honored and pleased that I have been afforded the opportunity to share with you the experiences and outlook of the Retirement Funds Industry, over the year or so.
3. NBFIRA has the mandate under the NBFIRA Act 2016 to regulate and supervise non-bank financial institutions.

Specifically, the Retirement Funds Act 2014 regulate and supervise retirement funds and fund administrators.

4. The main reason for regulation and supervision of these financial institutions is to ensure that these institutions are (1) safe and sound (2) fair, efficient and orderly, (3) have reduced levels of financial crimes and (4) to ensure that the financial system at large is stable.
  
5. Over the past ten (10) years, The Retirement Funds Industry has grown tremendously in both Assets Size and Membership. As at December 31, 2019, the Retirement/Pensions industry in the country had total assets of P93 billion (unaudited) as compared to total assets of P32 billion in December 2009, which translates to an average growth of 12% over the ten (10) year period. The growth in membership from approximately 140, 000 members in 2009 to 263, 097 members in 2019, which represents 88% increase in membership is also testimony to the growth in the Industry.

6. To date, Pension Industry assets are equivalent to 42% of Botswana's GDP, which makes the pension industry a significant player in the economy of Botswana. This growth of the industry increases the need to strengthen the risk management processes, including internal controls of pension funds themselves. It is therefore very important for NBFIRA to ensure that pension assets, including pensioners' assets are handled appropriately so that they provide the intended benefit to **members** and to avoid causing instability in the financial sector and the economy at large.

7. **Ladies and gentlemen**, it is worth noting that the advancement in the Industry is not only attributable to the growth in pension fund assets and membership, but also by the regulatory developments that have evolved over the years. Just to mention a few;

- In 2011, NBFIRA initiated the implementation of the risk based supervision. The ultimate purpose of the risk based supervisory model was designed to assist

NBFIRA to allocate its resources more effectively, by prioritising supervision on funds which present a greater risk to the supervisory objectives. The risk based model project was divided into two phases namely, (1) a development and implementation of the risk based and supervisory model (2) development of an IT system to support the model.

- In 2012- the introduction of the Prudential Rules, which sought to provide for periodic reporting by pension funds to NBFIRA in a particular format and administrative rules.
- In 2014, the risk based supervisory system was fully implemented.
- In 2016, the NBFIRA Act was revised

- In 2017, the promulgation of the Retirement Funds Act (2014) and its Regulations of 2016, which repealed the Pension and Provident Funds Act (1987)
- In 2018, Fit and Proper Rules were introduced to prescribe fit and proper person requirements for Controllers/Key Persons including designated Anti Money Laundering/Countering Financing of Terrorism (AML/CFT) Compliance Officers.

8. **Distinguished Ladies and Gentlemen**, the regulatory frameworks that I have already mentioned have achieved by far notable milestones by promoting a favorable regulatory environment to explore new prospects. Market participants such as fund administrators, beneficiary funds, external funds, preservation funds, retirement annuity funds were introduced. The governance and risk management systems have also been strengthened through prescription of policies that govern the operations of pension funds.

9. **Directors of Ceremonies**, it is imperative to note that NBFIRA's continued efforts to harmonize its regulatory and supervisory functions with International Best Practice cannot be overemphasized. We are proudly a member of the International Organization of Pension Supervisors ("**IOPS**"), which is an international standard-setting body on pension supervisory matters and regulatory issues, related to pension supervision. As such NBFIRA, through your support, as the Industry, continue to actively participate in IOPS activities, events and projects on an annual basis or ongoing basis.

10. I am pleased to inform you that NBFIRA will be hosting the **2021 IOPS Annual Conference** around October/November 2021, in our very own Country, **Botswana**.

This is indeed a great responsibility, which we are committed to make a success. As the industry, you are more than welcome to participate in this auspicious event and a first for Botswana!

11. That being said, in line with your **Conference Theme**, it is important to note that the obligation to look after the pension assets is a shared responsibility between the owners of the assets i.e. pension fund's members and NBFIRA. As a result, we cannot downplay the role that **members** (pensioners included) play towards their pension, which calls for the need for members to exercise their rights. This includes all pension life stages from accumulation to ensure adequacy of pension income at retirement. To date, the pension industry in general, is faced with challenges of very low replacement income, which is in simple terms the “monthly salary” of a pensioner. Pension Funds have been reporting replacement incomes of not more than 40% of the average salary during the last year of employment. This sudden reduction in income results in a drastic change of living standards of **pensioners**, which also extends to families of the **pensioners**, thus defeating the purpose of a pension.

12. Against this backdrop, everyone is urged to know and exercise their rights. Regulation 44 of the Retirement Funds Regulations prescribes the minimum information to be communicated to stakeholders, such as; receiving of annual benefit statements from the Retirement Fund and the right to request for information when in doubt.
13. To Employers and the Pension Funds, this also calls for robust member education, for purposes of equipping **members** with relevant information, to make informed decisions. In the event that a member is aggrieved, there is a **Complaint Procedure** in place, which allows the member to seek redress.
14. Our plea to you, **ladies and gentlemen**, is to walk this journey with us for the purpose of pursuing our common interest-accountability to the major stakeholders- **the members!**
15. Finally and once again, I welcome you all to this conference. I wish you all a fruitful discussion and a successful day and now declare the Conference Open!

***PULA!!!!***