

Managing Retirement Funds amid the Covid-19 pandemic



Yandile Nuku – Master of Ceremonies



Oshiro Sebgiso (Bifm)



Kabo Motsumi (Liberty Life)



Kago Petso (Liberty Life) & Nkwilili Nthaba (AON)



Nlume Modise (African Alliance), Tshogafatso Tlhong (Kgori Capital) & Thembi Matabiswana (RisCura)



Enos S Ngutshane
(IRFA) - Guest Speaker



Peter Hikhwa - BPS Chairman



Bakane W. Matekane (MFED)



Emmanuel Pati (NBFIRA)



Martinus Seboni (Ninety One)



Tapologo Motshubi (Allan Gray)



Poloko Masitara (AForbes)



Samuel Sono (AON)

The coronavirus pandemic is fast turning into the biggest upset of the century, roiling markets and disrupting plans across the world. Like any major event that has happened before, it will upend the way some things have been done, ushering in the “new normal”, causing challenges and presenting opportunities for pension funds, according to industry insiders who shared insights at the Botswana Pensions Society (BPS)’s 2021 Virtual Annual Conference held under the theme “Key Issues in the Management of Retirement Funds during the COVID-19 Crisis”.

The 25th March 2021 has been etched in the history books of the Society as it held its first ever virtual conference, a noticeable departure from the successful 14 annual conferences that have been physically attended by key stakeholders in the pension industry since 2006.

“When we held our conference last year, things were normal. But that is now in the past. The new normal is things will be held this way until things can get better,” said Mr. Peter Hikhwa, Chairman of the BPS, in his welcome remarks delivered online from his home.

The Chairman reported that the 2020 conference held at GICC in February under the theme “Pension Fund Performance and Other Member Outcomes: Outlook for the Next Decade?”, had delighted pension fund members and motivated the Pensions Society to ensure that the 2021 conference is held, though it happened late in March and under different circumstances.

Hikhwa said the Society had to expand its communication outreach channels to keep members abreast of current developments and urged pension funds to do the same during these uncertain times.

“Your organizations may have been very strong previously and had never failed to pay contributions to the fund. You now need to get closer and find out if they are going to continue to be as strong to continue supporting member contributions,” he said.

The Chairman cited potential challenges such as retrenchments, pay cuts or salary freeze and other issues that might emanate from contractual entitlements and fund rules. He advised pension funds to ensure that they have liquidity to be able to pay members that are leaving their funds and also to prepare members for lower investment returns.

“This is an industry that is steeped in risk management. Now it is time to demonstrate and implement those risk strategies that we have been working on, and if in doubt, seek expert advice,” concluded Hikhwa.

The Chairman’s sentiments were also echoed by Mr. Batane Walter Matekane, the Deputy Director of Insurance and Pension at the Ministry of Finance and Economic Development, who shared at the virtual conference that COVID-19

has highlighted the important role that risk management should play in the responsibilities of trustees and fiduciaries.

“The first takeaway expected from the conference is that, within the context of Botswana pension fund approaches to portfolio management, ‘the COVID-19 crisis’ impact on the industry has shed new light on the importance of encouraging a more diversified portfolio approach by pension funds that allows for investment in a range of asset classes as a means of enhancing risk management, including during times of crisis and economic downturns.”

Furthermore, he said the crisis also underscores the importance of accelerated reforms agenda, and disclosed that the ministry is reviewing the pension legislation that will address some of the longer-term issues relating to the Botswana pension fund sector. Part of the agenda is to review regulatory approach to offshore investment, which currently allows pension funds to invest up to 70 percent of assets outside Botswana so as to secure higher returns at a lower level of risk.

Mr. Matekane explained that the review is necessary so that a larger portion of funds can be invested locally to finance private sector diversification and, in the public sector, to finance higher government borrowing requirements with the expanded P30 billion government bond issuance programme.

“I am aware that some local investments have under performed in recent years, with, for instance, the negative performance of the Botswana Stock Exchange’s domestic companies index. This discourages the repatriation of funds invested in external markets,” Matekane said.

“At the same time, however, I am confident that there are investment opportunities in the Botswana economy, especially with the reforms and public investments entailed in the government’s Economic Recovery and Transformation Programme (ERTP), focused on reinvigorating economic growth and diversification and the stimulation of new investment opportunities.”

The Finance and Economic Development official urged local financial experts to develop funds and instruments that will help channel pension fund as-

sets into promising investments while maintaining a suitable level of risk and diversification to the benefit of fund members.

He concluded that as the environment changes and as the industry becomes more complex, the regulatory framework needs to be updated. He disclosed that there is an ongoing exercise by the Finance Ministry and Non-Bank Financial Institutions Regulatory Authority (NBFIRA) in consultation with the industry for the review and amendment of the Retirement Funds Act to reflect these developments and challenges.

The Keynote Speaker for the 2021 conference and also President of the Institute of Retirement Funds Africa (IRFA), Mr. Enos Ngutshane, said even though governments across the world deployed a range of strategies to support the retirement income systems, the economic hardships brought by the COVID-19 pandemic will be felt for years to come.

“There is going to be a decrease in the value of pension fund assets on the back of lower pension contributions and higher government debt and this will negatively impact on the provision of future retirement income,” said Ngutshane, who joined the virtual conference from South Africa, where he is based.

“All this will contribute to members failing to retire comfortably. Some of the retirees will have to seek further employment opportunities in order to survive into the future. Currently in South Africa, only 6 percent of our retirees are able to retire comfortably. Imagine now with the negative impact of COVID-19. That 6 percent will be negatively impacted as well as we move into the future.”

Ngutshane called on pension providers to produce sophisticated risk management strategies to protect savers as the outbreak of the coronavirus has created huge unintended consequences for the value of assets within pension schemes. He projected that funds will continue to experience reduced contributions and early withdrawals.

Massive withdrawals might trigger general fiscal pressures and risks through lower private pension benefits and financial strain on employers, Ngutshane said, before adding that the impact of the crisis on pension systems and their policy implications will be enormous.

As a countermeasure to some of the risks, the keynote speaker called for improved financial literacy, particularly on financial wellness and inclusion. He said most workers are in the informal sector, which is the backbone of the economy, yet those workers have no access to savings through pension funds. Ngutshane highlighted that countries like Ghana, Rwanda, Mozambique and Kenya are coming up with micro pension funds that target informal workers, thus creating access and safeguarding against future obligations.

As it has been the case in the past 15 years, the BPS’s annual conference attracted industry experts to share insights and engage in in-depth discussions. Mr. Emmanuel Pati, from the Regulator, NBFIRA presented on “Key Issues in the Management of Retirement Funds during the COVID-19 Crisis in the context of Prudential Rule 2 (PFR 2).”

Some of the speakers from the conference Sponsors included; Mr. Oshiro Sebgiso, an Investment Analyst from Botswana Insurance Fund Management (BIFM), who shared on “Adhering to the long term Pension Fund objective regardless of the environment.”

The Managing Director of Alexander Forbes Botswana, Ms. Poloko Masitara, delivered a presentation on “Lessons from COVID-19 crisis: A consultant’s perspective.”

Mr Samuel Sono, Business Development Executive at Aon Botswana, presented on “Challenges and solutions for Fund Members retiring during Covid-19 crisis.”

The Portfolio Manager at Allan Gray Botswana, Mr. Tapolo Motshubi, shared with attendees on the topic “Dealing with volatility and uncertainty during Covid-19 crisis.”

Liberty Life Botswana’s Kabo Motsumi’s area of discussion was “How to Design the best Pensioner’s annuity options for the pandemic era.”

The afternoon of the conference day was dedicated to two (2) panel discussion sessions which were run consecutively. The first session was moderated by Ms Phatsimo Ncube of Allan Gray, whilst the other session was facilitated by Mr Kago Petso of Liberty Life.

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