Napotel Pension Fund

Member Newsletter

Reduction in insured death benefit (rule amendment no. 6)

Dear Members

Rule 4.2.2 of the Fund's rules makes provision for the Participating Employers to contribute 4.5% of payroll to meet the Fund's expenses and the cost of the insured death, funeral, and disability benefits. The Participating Employers' 4.5% of payroll contribution has been insufficient to meet the expenses for several years. The main reason is that total payrolls have increased at a rate lower than inflation for some time while the Fund's expenses have increased in line with inflation.

Rule 4.2.3 makes provision for the actions that can be taken by the Trustees if the Participating Employers' contribution towards expenses is insufficient to meet the Fund's expenses. The shortfall has been met by the Fund's General Reserve Account for several years, but the General Reserve Account balance is insufficient to continue carrying the shortfall.

The Trustees have approached the Participating Employers to increase their contribution towards the Fund's expenses. The Participating Employers have not agreed to increase their contributions towards expenses.

The remaining options available to the Trustees are to reduce the insured death or disability benefits or reduce the Employer contributions towards retirement savings. The Trustees deem it undesirable to reduce the contribution towards retirement savings or the disability benefit at this stage.

The Trustees have a responsibility to ensure that the Fund remains in sound financial condition and therefore agreed to reduce the insured death benefit from the amount that can be secured with 2.78% of payroll (current 6.8 x annual salary death benefit) to the amount that can be secured with 2% of payroll (4.89 x annual salary) from 1 May 2024 or the date of registration of the amendment, whichever is the latter.

The Trustees have considered the various options and reducing the death benefit was the most reasonable approach for the following reasons:

1. More than half of the available contribution for expenses (4.5% of salaries) has been allocated to securing the insured death benefit to date.
2. The 2% of payroll that will be used to secure the insured death benefit in the future will secure a death benefit of 5 x annual salary in the current year, which remains above average for retirement funds in Namibia.

Should you have any queries, please do not hesitate to contact the Fund's Principal Officer, Getrud Baisako.

Godfrey Sezuni
Chairperson