

Circular 6 of 2022

11 February 2022

To: All Pension and Provident Funds
Zimbabwe Association of Pension Funds
Pension Fund Administrators
Life Offices Association of Zimbabwe

Standards Regarding Direct Remission of Pension Contributions to Pension Funds

This Circular is issued in terms of section 3(1) of Statutory Instrument 69 of 2020, which empowers the Commission, whenever it considers it necessary, convenient and in the best interest of policy owners and pension and provident fund members, to issue general guidelines and standards.

1. Background

- 1.1 The Commission has noted with concern the prevalent practice among some pension funds, particularly Stand-Alone Pension Funds, where the National Employment Council for the respective industry has been collecting contributions from sponsoring employers and later on remit to the fund in return for a fee.
- 1.2 This leads to a build-up of costs, which ultimately pushes up the expense ratios. This is highly detrimental to the fund members given that these costs have a negative impact on their benefits since they are deducted from assets of the fund.
- 1.3 The mandate given to National Employment Councils, to collect contributions from sponsoring employers, also goes against the provisions of section 13 of the Pension and Provident Funds Regulations, Statutory Instrument 323 of 1991, which requires the employer to remit contributions directly to the fund. The legal position requiring that

contributions be paid directly to the fund, arises from the fact that the fund has a separate legal personality from the NEC.

- 1.4 Further, the role to recover unremitted contributions lies with the Board of trustees while the administrator and its employees assumes the accounting responsibility as outlined in the respective service level agreements between the fund and the fund administrator.

2. Objectives of the Circular

- i. To reduce administrative costs for the Pensions industry through eradicating unnecessary and unjustified costs such as NEC fees and commissions.
- ii. To maximise returns from investment by eliminating unnecessary costs to the fund by leaving more funds for investment.
- iii. To maximise efficiency in the administration of pensions business through separating pension fund business from labour related issues.

3. The Directive

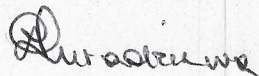
- 3.1 The Commission hereby directs all pension funds, administrators and sponsoring employers that pension contributions together with the documents supporting or explaining the contribution shall be remitted directly to the fund without involvement of the National Employment Council or other intermediary.
- 3.2 Further, since the NEC is neither an agent or employee of the fund, and given that the fund itself is not a member of the NEC, the payment of NEC fees and/or commissions to the NEC shall cease forthwith.
- 3.3 The Commission recognises the National Employment Council as a separate entity that negotiates for better welfare of workers for each respective industry.
- 3.4 The Commission also acknowledges the role of the NEC in negotiating the establishment of the fund. However, once registered, the fund becomes a separate legal entity from the NEC, hence its structures must

operate independent of the NEC as well as complying with the Pensions legislation. Remission of pension contributions through intermediaries such as the NEC contributes to inefficiency and costs, which ultimately is borne by the fund members.

4. Enforcement and Compliance

- 4.1 The Commission shall invoke the provisions of section 5 of the Insurance and Pensions Commission (Issuance of General Guidelines and Standards) Regulations, 2020, published in Statutory Instrument 69 of 2020, where the Trustee/s, or fund administrator fails to comply with the provisions stated herein.
- 4.2 In addition, the Commission reserves the right, in line with the Pension and Provident Funds Regulations, to disqualify trustees or administrators caught engaging in the practice prohibited under these standards.

Please be guided accordingly



Grace Muradzikwa

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS