What you need to know about pensions

1. **What is a pension?**
   A pension is a stream of income that is paid usually when one attains retirement age, but it can also be paid to a dependent be it a child widow/widower upon the death of a member of the pension fund. In other words, a pension is a type of insurance against old age, reduction or loss of income to a member of the pension fund.
2. **What is a pension scheme/fund/plan?**

   It is an arrangement under which an employer and/or an employee make contributions into a pool of funds set aside for a worker's future benefit. The pool of funds is invested on the employee's behalf, and the earnings on the investments generate income that is used usually used to pay a pension upon retirement, death or termination of employment or upon the occurrence of such events as specified in the law or the document establishing the pension scheme. It has favorable tax treatment compared to other forms of savings.

3. **Are there different types of pension scheme designs?**

   Yes a pension scheme can be designed as a defined benefit scheme (DB) or defined contribution (DC) or a combination of the two types (hybrid). A DB scheme is a pension scheme where the retirement benefit payable is based on a pre-determined formula. On the other hand a DC scheme is a pension scheme where contributions into the scheme are pre-determined implying that the benefit is uncertain as it will depend on accumulated contributions, investment earnings and expenses of running that fund. A hybrid combines the features of both the DB and DC schemes.

4. **What is the structure of Zimbabwean Pension Industry Like?**
   The Zimbabwean Pensions Industry may be categorized into four main classes, which are:

   a) Occupational Pensions Schemes

   These funds are set up by employers for the benefit of their staff. The majority of these are DC schemes. Occupation pensions fund can either be self-administered or insured funds. The distinguishing feature between the two is that for self-administered funds, the assets of the fund are registered in the name of the particular fund while for an insured fund, assets are registered in the name of the insurer who makes certain promises to members of the fund.

   The trustees of the self-administered funds are ultimately responsible for the investment decisions and performance of the fund. There are two main forms

of self-administered funds. That is those that own and control their respective administrative structures; and those that outsource administration services from life insurers or professional pension fund administrators.
Such funds can be umbrella schemes that bring together various sponsoring employers under one fund. These are mostly industrial based schemes that are formed through the collective bargaining process.

Insured funds are usually small funds whose assets are pooled together and invested in the name of the life insurance company that administer them. Investment decision are done on behalf of the funds by the insurance company.

b) Personal Pension Plans (Individual Schemes)

These are pension plans that are set up by life insurers targeting individual members not necessarily tied to any employer or any formal setting. Such schemes are ideal for those in the informal sector.

c) Public Service Pension Scheme

This is a pay-as-you–go defined scheme that caters for civil servants. The scheme was established by an Act Parliament. This scheme is not regulated by IPEC.

d) National Pension Scheme

This is a compulsory pension scheme for all those who are formally employed, the scheme is administered by the National Social Security Authority (NSSA) and accordingly is commonly known as "NSSA Pension". Just like the public service pension scheme it, NSSA is currently not under the supervision of IPEC.

5. How do I know the amount of pension I will get?

It depends. If you are a member of a **defined benefit pension scheme**, you will receive a specified level of income that is worked out according to factors such as your final pensionable salary and years of pensionable service.
If you have a **defined contribution pension scheme,** you build up your own pot of money. The value of this pot can go up or down but over the long-term, pension savings usually grow and you can benefit from a number of tax advantages. When you retire, the amount of money you receive will depend on how much it costs to buy a pension at that time.

In line with international best practice, pension funds should provide their members with benefit statements. A benefit statement shows how much a member is entitled to based on contributions made to date. Members can also ask their pension fund to give them benefits projection statement. This statement shows an estimate of how much a member will be entitled when they reach retirement age. It should be noted that a benefit projection statement is based on a number of assumptions hence the amount of pension a member will get cannot be projected with certainty.

6. **Why should I contribute to a pension scheme?**

   The main reason for a pension scheme is to save for retirement, but as a social protection instrument, a pension scheme also offers benefits when one loses employment as a result of ill health, death or just decides to take up other activities.

7. **Who manages a pension scheme?**

   The Board of Trustees is the one responsible for the management and control function of the scheme. Trustees appoint fund managers, administrators or qualified individuals to perform the duties of a fund manager and administrator.

8. **What happens to my pension when I die?**

   If you die while you are still an active member of the fund, your dependents or nominated beneficiaries will be entitled to your pension money subject to the rules of the fund and the laws governing pensions. Apart from the pension from the scheme, some schemes also offer death benefits in addition to accumulated pension. For those who have retired and are already receiving a pension it will depend on the terms and conditions in the contract that they will have entered with the pension provider. Some contracts have arrangements where they pay pensioners a regular income until death upon which the pension ceases. On the other hand, some contracts are such that a member is paid a pension for a certain period wherein if a member dies before the end of that period, nominated beneficiaries will be entitled to get the pension until the predetermined period lapses. For such contracts, if one outlives the period specified in the contract they will cease to receive the pension.

   We encourage that member check with their scheme's administrator or pension provider to find out what death benefits are payable to them under their scheme.

9. **I am over 55 and still working. Can deductions still be made on my salary?**

   It depends with the rules of a particular fund. If the rules allow that after pensionable age, deductions be made towards pension, then those rules are applied or else deductions are stopped.

10. Is it possible to transfer my pension from one administrator to another?

Yes, it is possible. You communicate your intention with your former administrator and it can be done and documentation of transactions is traceable for future reference.

11. When can I claim my pension?

Pension benefits can only be claimed when one of the following events occurs:

- When you have reached normal retirement age as per the rules of your pension fund;
- When you have resigned or have been dismissed;
- When you have retired early;
- When you have been retrenched;
- When you leave employment for medical reasons; and
- When the fund member has died.