



Circular 3 of 2014

04 August 2014

TO : **Zimbabwe Association of Pension Funds**
: **Life Offices Association**
: **Fund Administrators**
: **Stand-alone Pension Funds**

DISSOLUTION OF PENSION FUNDS IN AN UNSOUND FINANCIAL POSITION

1. In terms of Section 19(3) of the Pension and Provident Funds Act read in conjunction with section 10 of the same Act, the Insurance and Pensions Commission may dissolve/wind up pension funds which are in an unsound financial position if it is satisfied that it is not possible or practical to bring the fund into a financially sound condition within a reasonable time.
2. Recently, IPEC has observed a number of challenges faced by pension funds and these are;
 - a) Poor or non-remittance of pension contributions by sponsoring employers to the fund since the adoption of the multi-currency regime
 - b) High administration expenses versus low investment returns
3. The above challenges have resulted in some pension funds being in a financially unsound condition and thus have ultimately resulted in failure to meet **Members' Reasonable Expectations (MREs)**. The following have been noted as key indicators of the poor financial position of these funds;
 - a) Continuous shrinkage of total assets emanating from high administration expenses and/or other costs relative to income
 - b) Increasing liabilities without matching assets
 - c) Staggered pension benefit pay-outs
 - d) Significant amounts in unpaid benefits
 - e) None or low pension increases since dollarization
4. In light of these observations, all life offices, pension fund administrators and self administered pension funds are requested to submit the following information on or before the 15th of September 2014 to enable the Commission to decide on the next course of action in terms of the provisions of the Pension and Provident Funds Act;
 - a) A list of all pension fund(s) whose sponsoring employer(s) have not remitted pension contributions since 2009
 - b) A list of all pension fund(s) whose sponsoring employer(s) have permanently shut down operations and are considered unviable
 - c) Names of such other funds considered unviable by the life office pension fund administrator for or trustees of self administered funds reasons not listed above

5. In addition to the information requested in item (4) above, fund administrators, life offices or trustees of self administered funds must;
 - a) Recommend the dissolution of the fund or some other appropriate action giving reasons why such a recommendation is being made.
 - b) Submission of a Trustee resolution approving the proposed action to be taken in (a) above. In cases where there are no trustees for whatever reason, there **should be** attached supporting evidence indicating efforts made to locate the trustees. Notwithstanding the fact that the Board of Trustees is ultimately accountable in terms of all pension fund business, fund administrators, life offices or trustees of self administered funds should still make their recommendation on what course of action should be taken on the fund.
 - c) Include any other information deemed relevant for the purposes of implementing this circular
6. Please note that these measures are taken pursuant to the need by the Commission to ensure protection of pension fund member rights and avoidance of continuous erosion of member values due to, among other reasons high expenses.
7. Please be guided accordingly.


M.S Mpofu (Mrs)

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS