

CIRCULAR NUMBER 15 OF 2019

11 December 2019

TO: Zimbabwe Association of Pension Funds (ZAPF)
Life Offices Association of Zimbabwe (LOA)
Insurance Brokers Association of Zimbabwe (IBAZ)
Pension Fund Administrators
Self-Administered Pension Funds

REVISION OF TOTAL ANNUAL PENSION AND PRESERVATION OF BENEFITS

Basis of the Circular

1. This Circular is issued pursuant to the pronouncements that were made in the 2020 National Budget Statement by the Minister of Finance and Economic Development. The pronouncements revised upwards the total annual pension that will determine a member's eligibility to commutation and set a minimum amount for preservation purposes.

Background to Circular

2. The Commission appreciates that amendments to reflect the revised amounts need to be made to the Pension and Provident Funds Regulations Statutory Instrument 323 of 1991 and has started the processes.
3. The Commission acknowledges the volatility of the current economic environment, which is hyperinflationary, thus posing a threat to preserving the value of pension.
4. In pursuance of the Commission's mandate to protect the rights, interests and benefits of pension fund members and beneficiaries and in terms of Section 24 of the Pension and Provident funds Act [Chapter 24:09] which provides that the Commissioner,

"may by notice in writing, exempt any fund from all or any of the requirements of this Act as may be specified in such notice, subject to such terms and conditions as he may fix in such notice."

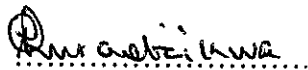
5. The Commissioner through the issuance of this circular notifies all pension and provident funds of the following:

Criteria to be used in determining benefits that qualify for full commutation.

6. All pension and provident funds are exempted from complying with Statutory Instrument 25 of 2016 which provides for full commutation of benefits where the total pension does not exceed six hundred dollars per annum.
7. From the date of issue of this circular and for the purposes of determining whether the member is entitled to full or partial commutation the trustees shall apply the basis stated below.
8. The trustees, upon application by the member, shall be empowered to commute the whole of the pension for a lump sum where the total pension payable to a member does not exceed six thousand Zimbabwean dollars per annum.
9. Further, all pension and provident funds are exempted from complying with Section 21 of the regulations which provides for automatic preservation of the additional benefit of a member who leaves employment on grounds other than retirement or retrenchment.
10. In determining how the additional benefits of such members are to be treated the trustees shall consider the value of the benefit. In any case where the value of the benefit :
 - a. Is less than six thousand Zimbabwean dollars; or
 - b. cannot, at the retirement of a member, purchase a pension that exceeds six thousand Zimbabwean dollars per annum;

The trustees, upon application by the member, shall be empowered to commute the whole or part of the benefit for a lump sum.

11. The limit on preserved amounts shall apply to amounts that were preserved prior to the issuance of this Circular. Thus all members with preserved amounts that are
- a. less than six thousand Zimbabwean dollars or
 - b. which cannot, at the retirement of a member, purchase a pension that exceeds six thousand Zimbabwean dollars per annum;
- Shall qualify to apply for commutation of these benefits.
12. Prior to approving the member's application for commutation, the trustees must be satisfied that such commutation does not result in the pension fund failing to pay regular monthly pensions due to illiquidity.
13. Please be guided accordingly.



Grace Muradzikwa

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS