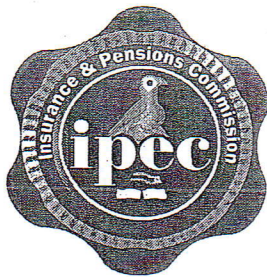


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INSURANCE & PENSIONS  
COMMISSION  
3<sup>rd</sup> Floor, Finsure House  
84-86 Kwame Nkrumah Avenue  
Harare  
Zimbabwe

March 21, 2007

Circular 4/2007

D/45/23

To:  
ZIMBABWE ASSOCIATION OF PENSION FUNDS (ZAPF)  
  
LIFE OFFICES ASSOCIATION OF ZIMBABWE (LOA)  
  
ZIMBABWE INSURANCE BROKERS ASSOCIATION (ZIBA)  
  
PENSION FUND ADMINISTRATORS  
  
SELF ADMINISTERED PENSION FUNDS

**COMMUTATION PORTION**

It has come to the Commission's notice that commutation of the first lump sum of pension as per section 13 ( a ) of Statutory Instrument 243 of 2006 is being treated in different ways in the pensions industry.

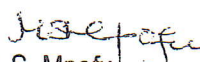
Some industry players are commuting any amount up to one third of the total pension as a lump sum provided that the pension purchased by the resultant balance is not less than the amount prescribed in the Regulations. Other players in the industry first secure a resultant balance which is not less than the amount prescribed by the Regulations and the remaining amount is then paid out on retirement or retrenchment.

Section 13 ( b ) of Statutory Instrument 243 of 2006 provides that *if the total pension exceeds \$36 000 per annum the trustees may be empowered to commute for a lump sum such portion, not exceeding one third of the pension, as is elected; provided that the pension purchased by the resultant balance shall not be less than \$36 000 per annum.*

The intention of section 13 ( b ) is that one third of the pension benefits be paid first and the resultant balance, if it exceeds the amount prescribed, is paid as a pension.

Please be guided accordingly and comply as per clarification given above.

Please also note that Circular number 3 of 2007 has revised the monthly pension to \$ 8 000 which is \$96 000 per annum.

  
M. S. Mpofu  
**COMMISSIONER OF INSURANCE PENSION AND PROVIDENT FUNDS**  
ipec/cir