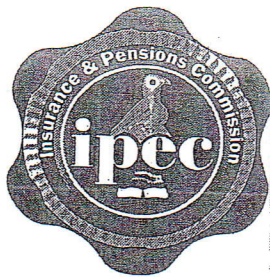


Telephone: 250613,  
251060/61  
Facsimile : 251889  
Website : TBA  
Email : enquiries@ipec.co.zw



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

P.O. Box HR 6773  
Harare

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ZIMBABWE ASSOCIATION OF PENSION FUNDS(ZAPF)  
LIFE OFFICES ASSOCIATION ( LOA )  
ZIMBABWE INSURANCE BROKERS ASSOCIATION ( ZIBA )  
PENSION FUND ADMINISTRATORS  
SELF ADMINISTERED PENSION FUNDS  
APPLICATIONS FOR CONTRIBUTION HOLIDAY

1. The Insurance and Pensions Commission has received a number of applications for contribution holiday from pension fund administrators whose portfolios had pension funds in distress.
2. It should be noted that a contribution holiday is a period when contributions to a pension fund are put on hold, mainly because of a surplus and is normally applicable to defined benefit (DB) funds. Section 33 ( 2 ) ( b ) Statutory Instrument 323 of 1991, states that a surplus " may be applied to improve benefits or to offset against future contributions." A fund that is in surplus can therefore stop paying contributions for an agreed period to offset the surplus and therefore when that happens the fund takes a " contribution holiday ."
3. Distressed employers/companies cannot therefore go on a contribution holiday as this will worsen the financial position of the fund. The most viable option is to make the fund paid up, such that the fund is closed to new entrants and benefits are paid when a member leaves the employer's service. The fund's assets continue to be invested and members enjoy interest earned by the fund.

If a decision is made by the Board of Trustees to make the fund paid up, the employer has to apply to the Regulator showing good cause.

4. In terms of section 13 ( 1 ) ( d ) of Statutory Instrument 323 of 1991, if a participating employer fails to pay contributions into the fund within the stipulated period, the Principal Officer, the chairman of trustees, or management committee, should report the matter to the Regulator forthwith.
5. Principal Officers are therefore reminded that failure to report incidents of non-remittance of contributions is a criminal offence and renders the Principal Officer, the chairman of trustees and management committee, liable to a fine not exceeding level 6 in terms of section 33A read in conjunction with section 35 of the Pension and Provident Funds Act [ Chapter 24:09] .

  
M.S. Mpofu

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS