



CIRCULAR NUMBER 4 OF 2019

8 April 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

TRANSFER OF PENSION FUND ASSETS AND LIABILITIES

Basis of the Circular.

This Circular has been issued pursuant to section 4 of the Insurance and Pensions Commission Act [Chapter 24:21], which empowers the Commission to monitor the activities of pension and provident funds, to ensure that they maintain set standards and ensure compliance with the Pension and Provident Funds Act [Chapter 24:09].

Background to the Circular

1. The Insurance and Pensions Commission has noted that, in transferring assets and liabilities, some registered funds fail to comply with section 27 of the Pension and Provident Funds Act [Chapter 24:09] (hereinafter referred to as the Act).
2. The Commission has witnessed cases where registered funds transfer assets and liabilities to another fund without the Commissioner's approval, in terms of section 27 of the Act.
3. The Commission has further noted that the funds involved do not:

- a) fully document the process and all transactions pertaining to the transfer. This has resulted in information gaps between the receiving fund and the transferring fund;
 - b) reconcile the assets transferred to the liabilities, that is, the allocation of the assets and liabilities to individual members of the fund;
 - c) in the case of the receiving fund, apportion received assets to individual members of the fund in terms of their capital accumulation credits on transfer;
 - d) confirm the finalization of the transfer through a hand over takeover signing off that all aspects of transfer were attended to, for example, whether or not all assets and liabilities were transferred to the receiving fund.
4. The issues noted in the paragraphs above result in challenges when computing capital accumulations of members from such funds.
 5. In line with the Commission's mandate as enshrined in section 4(b) of the Insurance and Pensions Commission Act [Chapter 24:21] and, in order to ensure adequate protection of members' interests, data integrity and compliance with the Act, the Commission directs as follows:

Procedure for Transfer of Assets and Liabilities Between Registered Funds

6. In terms of section 27 of the Act, every fund must seek the Commissioner's approval, to transfer assets and liabilities to another fund.
7. No fund shall transfer or receive assets and liabilities without prior written approval from the Commission.
8. The notice required in terms of section 27(2) of the Act, and which will accompany the request for approval, must state the name of the transferring fund and the name of the receiving fund.
9. The terms of the transfer referred to in section 27(2) of the Act shall contain the following:
 - a) reasons for the proposed transfer; and
 - b) advantages of the proposed transfer

10. The scheme setting out the details of the proposed transfer referred to in section 27(2) of the Act shall include the following:

- (a) the value and nature of assets and liabilities that will be transferred to the other fund;
- (b) the spread of assets and liabilities across the different membership categories;
- (c) the timelines in which the fund will transfer the assets and liabilities. Where different asset classes are to be transferred at different dates, this must be clearly stated and the reasons thereof given; and
- (d) a schedule of members' accumulations which, at least, must provide the following per member:
 - (i) name, age and identification particulars;
 - (ii) date of employment and date of joining the fund;
 - (iii) the funded (and unfunded) portion of the member's benefit;
 - (iv) current contact details of the member, and at least one alternative contact person in the event that the primary member cannot be contacted;
 - (v) status of member, that is, active, suspended, preserved or pensioner.

11. Upon obtaining the approval from the Commissioner, the transferring fund shall, not later than 21 days, issue benefit statements to the members. The benefit statement must indicate the following:

- (a) the purpose of issuing the statement. For example, benefit statement for the purpose of transfer of assets and liabilities from fund x to fund y;
- (b) the amount, in relation to the individual member, that will be transferred to the receiving fund;
- (c) an indication on whether or not the amount is fully paid up or consists of contribution arrears;
- (d) the date on which the last contribution to the accumulation referred to in the statement was paid to the fund;

- (e) a note advising the member to lodge, with the Commission, any concerns in relation to the information appearing on the statement (the note must be printed no smaller than and as legible as the letters of the rest of the statement);
 - (f) any other relevant information for the benefit of the member.
12. Upon receipt of all the assets and liabilities, the receiving fund shall issue all members with benefit statements, and the provisions of paragraph 11 shall apply in the issuance of the benefit statements by the receiving fund. These benefit statements shall be issued to the members no later than 21 days after the receipt of all assets and liabilities. Where the receiving fund does not receive all assets and liabilities by the end of the financial year, the receiving fund shall issue benefit statements to the members within six months after the end of that financial year.
13. Prior to issuing the benefit statements referred in paragraph 11 and 12, the fund must seek a written approval from the Commission on the content of the proposed benefit statements.
14. No later than 21 days after receiving the written approval of the Commission, the transferring fund shall, where necessary, submit to the Commission for registration the amendments to the fund rules.
15. No later than 21 days after receiving all assets and liabilities, the receiving fund shall submit to the Commission:
- (a) where necessary, amendments to the fund rules for registration;
 - (b) a schedule as at the date of receipt of all assets and liabilities, showing the individual member's accumulation and the additional information stated under paragraph 10(d) above.
16. Upon the transfer of all assets and liabilities or once every two months during the process of the transfer, whichever comes sooner, each fund shall submit a schedule certified as correct by the Principal Officer showing:
- (a) the nature of the assets and liabilities transferred or received; and

(b) where applicable, the assets and liabilities still to be transferred or received as the case maybe.

17. Where the transferring fund submits a schedule in which assets and liabilities are marked as transferred, it should annex a confirmation of receipt of such assets and liabilities from the receiving fund.

18. The receiving fund shall inform the Commission, in writing, of the nature and value of assets and liabilities received from the transferring fund within seven (7) days of receiving the assets and liabilities.

19. After the transfer of all assets and liabilities, the funds concerned shall submit, within fourteen (14) days, a certificate of transfer in which they jointly acknowledge the transfer of the assets and liabilities. Key persons to the transfer, being, the principal officer, respective administrators and a representative of the trustees shall append their signatures to the certificate.

20. Schedules that show the nature and value of assets and liabilities so transferred or received by the fund, as the case maybe, shall accompany the certificate. The certificate must include a section in which the key persons mentioned in paragraph (s), acknowledge the nature and value of the assets and liabilities appearing on the schedules as a complete and correct record of the assets and liabilities so transferred or received.

21. The process of transferring assets and liabilities between funds shall apply, with necessary changes to the following:

- (a) partial transfers relating to a participating employer or a specified group of members of the fund;
- (b) transfers pursuant to an amalgamation with another fund or division of a fund. (please note that the amalgamation or division must be approved by the Commission in line with section 27 of the Act);
- (c) instances where a fund converts from one type of a fund to another, if such conversion involves transfer of assets and liabilities. For example where a stand-alone fund joins an umbrella fund under the same administrator;

Procedure for Change of Administrators

22. Every fund shall notify the Commission of the intended change of administrator prior to implementing the transfer of assets and liabilities/ or records and information, as the case maybe, between such administrators.

23. Once the Commission acknowledges receipt of such notification in writing, paragraph 10 to 20 of this Circular shall apply, with necessary changes, to the transfer of assets and liabilities between the fund administrators.

24. This Circular shall not apply to:

- (a) the transfer of assets and liabilities resulting from the dissolution of registered funds. Following the mandatory approval by the Commission for the fund to be dissolved, the procedure to be adopted in transferring the assets and liabilities of the fund will remain governed by section 10(2) of the Act or the fund rules as the case maybe;
- (b) a transfer of an individual member's benefits from one fund to another, save for the requirement that the funds issue such member with a benefit statement as at date of transfer and another as at date of receipt of the benefits.

25. In the interim, all administrators/insurers must furnish the Commission, on or before 13 May 2019, with a schedule of the pension funds they transferred or that were transferred to them since 1 January 2009 to date, using the format attached hereto.

Please be guided accordingly.



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Mr. B. Kazengura

ACTING COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

ANNEX 1: FUNDS TRANSFERRED.

Name of transferred fund	Name of receiving fund	Date of transfer	Value of fund at transfer date	Has transfer been completed?	Comment/ remarks
				Yes	
				no	



MEMO

To: The Acting Commissioner: Mr. B. Kazengura

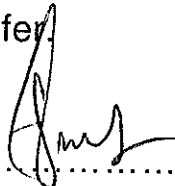
From: Ms. T. Mateisanwa- Pensions Department

Date: 3 April 2019

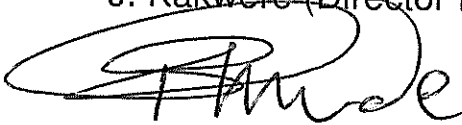
SUBJECT: PROPOSED CIRCULAR TO GUIDE INDUSTRY ON TRANSFER OF FUNDS.

Kindly find enclosed herein a circular that is intended to guide the industry on transfer of assets and liabilities between registered funds as well as when funds change an administrator.

The objective of the circular is to ensure compliance, adequate protection of member interests, data integrity and transparency in the process of the transfer.


.....
J. Kakwere (Director Pensions)

Recommended/~~not recommended~~


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S. Nhende (Head Legal)

Recommended/~~not recommended~~

amend as highlighted and proceed.

.....
B. Kazengura

Approved/ ~~Not Approved~~

Date 