



Circular 2 of 2020

7 February 2020

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
Zimbabwe Association of Reinsurers' Organisations

Guideline on Disclosures by the Pensions Industry.

Basis of Circular

1. This Circular has been issued pursuant to section 4 of the Insurance and Pensions Commission Act [Chapter 24:21], which empowers the Commission to regulate and monitor the management and administration 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].

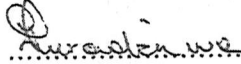
Background

2. The Commission considers adequate disclosures as central to ensuring sound corporate governance and risk management practices as they discourage members of the board of trustees/directors from making self-serving decisions and instead act in the interests of the members of the fund.
3. In order to restore confidence in the pensions industry and promote transparency, thereby ensuring adequate protection of the benefits, rights and interests of pension and provident fund members and their beneficiaries, the Commission has developed guidelines on Disclosures by pension funds and fund administrators. These guidelines set out the

minimum disclosures that should be made by pension funds and fund administrators.

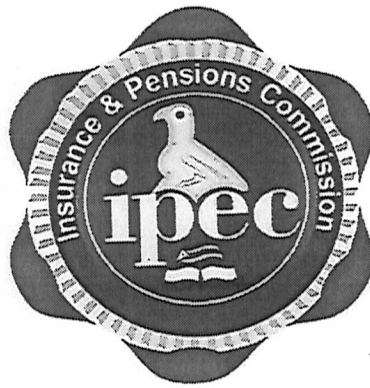
4. The guidelines are attached to this Circular and are applicable with immediate effect.

Please be guided accordingly

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Grace Muradzikwa

Commissioner of Insurance Pension and Provident Funds



INSURANCE AND PENSIONS COMMISSION

MINIMUM DISCLOSURE REQUIREMENTS FOR PENSION FUNDS AND FUND ADMINISTRATORS

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1. Basis

This guideline is issued in terms of section 4 of the Insurance and Pensions Commission Act [Chapter 24:21], which empowers the Commission to regulate and monitor the management and administration of pension and provident funds, to ensure that they maintain set standards and comply with the Pension and Provident Funds Act [Chapter 24:09].

2. Scope of Application

This Guideline applies to all pension and provident funds and fund administrators that are registered and supervised by the Insurance and Pensions Commission.

3. Definitions

"Beneficiaries"- means a person other than a contributing member of the fund who is entitled to, in terms of the rules of the fund, receive benefits from the fund upon the happening of a specified event and whose entitlement arises on account of a relation with the contributing member.

"Fund managers"- the board of trustees, the fund administrator and all officers of the fund who are employed in the administration of the fund.

"Fund's stakeholder"- means anyone who has interest in the affairs of the fund.

4. Introduction

4.1. These disclosure guidelines are part the Commission's ongoing efforts to ensure protection of pension fund members and beneficiaries; and to promote confidence in the pensions industry through the transparency that results from adequate disclosures.

4.2. The objective of the guideline is to encourage regulated entities to provide the main stakeholders with adequate information about the fund and its operations.

4.3. The improved transparency from disclosure reduces information asymmetries between the fund and its stakeholders which in turn discourages managers of pension and provident funds to make policy decisions that are not in the best interests of plan members.

- 4.4. In addition, well-informed stakeholders provide fund managers with strong incentives to maintain sound corporate governance arrangements, risk management systems and internal controls and to conduct its business in a prudent manner.
- 4.5. The Commission considers transparency of pensions and provident funds management and the risks inherent in those activities to be a key element of an effectively supervised, safe and sound pensions industry.
- 4.6. The disclosure guideline is also to enhance the comparability of similar regulated entities within the pensions industry.

5. Distribution of the information

- 5.1. Information required to be disclosed in this guideline will be in the form of a booklet/pamphlet or any other form adopted by the board which is cost effective to the fund.
- 5.2. The medium through which the information will be distributed will depend on the geographical spread of the primary users and the various forms of media available to such users to access the information. Thus a fund may distribute electronically or manually.
- 5.3. The form of the information and the medium through which the information is made available should be geared towards achieving the qualitative characteristics stated under clause 7 below.
- 5.4. The information should primarily be distributed electronically or by displaying it at such places where it is easily accessible to the members, beneficiaries and sponsoring or participating employers (herein after referred to as the primary users).
- 5.5. To minimise cost of distribution, hard copies will only be availed where the geographical or other circumstance of the primary users makes it difficult or impossible for them to access the information via electronic means.
- 5.6. The fund/administrator will be required to submit to the Commission, at the same time that he or she submits the fourth quarter return, a detailed report on compliance with this guideline.

6. Key Persons

The information spelt out should be disclosed to the following key persons within the timeframes as shall be stated—

- a. Insurance and Pensions Commission;
- b. Members and beneficiaries of pension and provident funds;
- c. Sponsoring/Participating employers of pension and provident funds;
- and
- d. The fund's stakeholder.

7. Qualitative characteristics of disclosed information

The following factors are key in ensuring that information disclosed to key persons as defined above is useful:

Understandable

Information should be simple and understandable to the users and should be communicated in the style, format, detail and complexity which addresses the needs of users of the information.

Relevance

Timeliness is a major component of relevance. To be useful, information must be provided to users within the time period in which it is most likely to bear on their decisions.

Information should be communicated in time so that the receiver of the information has enough time to decide on appropriate actions based on the information received. What is timely information depends on situation to situation. Selection of appropriate channels of communication is key in achieving this goal.

Reliability

Information should be complete, which means that facts and figures should not be missing or concealed. Information should be fair and free from bias and personal opinions and must enable the user to form an independent assessment of the status of the fund.

8. Disclosure of Governance Structures and Responsibilities.

8.1. There should be full and open disclosure of the governance structure of the fund/administrator. Information on governance structures and

responsibilities shall be provided to the Commission and the primary users within three months from the beginning of each calendar year. Any changes in the governing structures and responsibilities during the calendar year must be communicated to the Commission within fourteen (14) days after occurrence. The communication must state the reasons for the change.

8.2. The same changes and reasons should be communicated to the primary users within thirty (30) days of occurrence using a media that is appropriate to the geographical spread of these persons and cost effective to the fund.

8.3. The cost of providing this information will be borne by the fund.

8.4. The fund's stakeholders will be entitled to receive this information upon payment of a specified fee.

8.5. Information relating to the governance structure should include:

- a. Names and Qualifications of the Board of Trustees/Directors indicating compliance with mandatory qualifications;
- b. Sub- committees of the board;
- c. The key duties and responsibilities of the members of the board;
- d. Duties and responsibilities of the board which have been delegated and the persons to whom these have been delegated;
- e. Number of meetings that the board is expected to conduct within the year;
- f. Full names of service providers engaged by the fund/administrator and the services which they will provide;
- g. A summary of the procedures and criteria used by the fund/administrator to engage the service providers; and
- h. Areas of actual or possible conflict of interest and how the fund/administrator intends to deal with these.

9. Disclosure of Policies

9.1. Information contained in policies may be disclosed as part of the information in Section 8 above or separately.

9.2. Information on policy making and performance shall be provided to the Commission and primary users within three (3) months from the beginning of each calendar year. Any changes during the calendar year must be communicated to the Commission within fourteen (14) days after occurrence. The communication must state the reasons for the change. The same changes and reasons should be communicated to the primary users within thirty (30) days of occurrence using a media that is appropriate to the geographical spread of these persons and cost effective to the fund. The cost of providing this information will be borne by the fund.

9.3. The fund's stakeholders will be entitled to receive this information upon payment of a fee which shall be specified by the board.

Information relating to policies should include:

- a. details on the policies and manuals that are maintained by the fund/administrator;
- b. summary of the purpose of the policy;
- c. the persons responsible for formulating and reviewing the policy;
- d. the persons responsible for implementing the policy;
- e. the date on which the policy was last reviewed; and
- f. any other relevant information.

10. Disclosure of Financial Position.

10.1. The Commission acknowledges that financial information is part of the financial statements of the fund/administrator. The information required to be disclosed by this section is in addition to the information that will be contained in the financial statements.

10.2. The information will be disclosed within three (3) months after the end of each financial year or at the conclusion of an actuarial or other valuation of the fund, whichever is the soonest.

10.3. Information relating to financial position should include:

- a. the financial position of the fund/administrator i.e. whether the fund or administrator is in a sound financial condition;

- b. the level of under capitalisation or insolvency (or surplus recorded) in the case of a fund administrator;
 - c. the actuarial deficit/surplus and contribution arrears in the case of a fund;
 - d. the measures that are in place or will be put in place to address the undercapitalised/solvency position; or the funding gap and contribution arrears as the case maybe;
 - e. the manner in which the fund/administrator intends to utilise the surplus and the reasons for adopting the proposed manner;
 - f. statement on the impact that the financial position of the fund/administrator has on the ability of the fund to pay the expected benefit. The fund/administrator should give an example using figures to illustrate the impact so that the primary user is placed in a position where they fully appreciate the impact; and
 - g. summary of the investment strategies and outcomes. Where assets of a fund are invested through pooled funds or investment vehicles information on the actual assets within the pooled fund or investment vehicle that support the fund should be disclosed.
- 10.4. Insurers who act as fund administrators should also disclose, under this heading, their performance in relation to bonuses declared in the five years prior to the reporting year.

11. Disclosure of Costs.

- 11.1. The Commission acknowledges the differences in the expense structures of pension funds and administrators that arise from the differences in scheme design and benefits offered by each fund.
- 11.2. Pension funds and administrators are required to disclose the information listed below to the IPEC, on a quarterly basis, as a separate Annex to the quarterly returns .

12. STAND ALONE FUNDS.

12.1. Benefits paid

12.2. Trustees Remuneration

- a. Sitting allowances
- b. Retention fees
- c. Bonuses
- d. Other trustee benefits (holiday allowances, cell phones, fuel, groceries)

12.3. Staff remuneration

- a. Gross salary bill
- b. Senior Management Remuneration (Senior management reporting to Heads or Directors of departments)
 - (i) Salaries
 - (ii) Allowances (holiday allowances, cell phones, fuel, groceries, school fees, etc.)
 - (iii) Salary increments awarded over the last 12 months

12.4. Administration Expenses

- a. Insurance
- b. Rentals
- c. Commissions
- d. Asset/ Investment management fees
- e. Custodian fees
- f. IT fees (Licencing and Subscriptions)
- g. Communication expenses
- h. Other expenses (where the total is more than 10% of total expenditure, a breakdown should be given, and if any single expense is more than 5% of total costs, it should be disclosed)

12.5. Property management expenses

12.6. Professional fees

- a. Audit fees
- b. Actuarial fees
- c. Legal fees

- d. Accountancy fees
- e. Valuations fees
- f. Other consultancy fees

12.7. IPEC Levies

12.8. Bank Charges

12.9. GLA

- a. Premium rates

- b. Benefits

12.10. Depreciation

12.11. Fines and penalties

12.12. Provision for Bad Debts

13. ADMINISTRATORS AND INSURERS

13.1. Benefits paid

13.2. Employee benefits salary bill (total remuneration of employees in Employee Benefits vis a vis total shared expenses)

- a. Allowances (holiday, cell phones, fuel, groceries, school fees etc.)

- b. Salary increments awarded over the last 12 months

13.3. Trustees Remuneration

- a. Sitting Allowances

- b. Retention

- c. Bonuses

- d. Other trustee benefits (holiday allowances, cell phones, fuel, groceries, etc.)

13.4. Administration fees (including any other commission charged over and above the fees)

- a. Dividend declaration costs

- b. Bonus declaration fees

- c. Discontinuance charges

- d. Asset/ Investment management fees

- e. Other expenses (where the total is more than 10% of total expenditure, a breakdown should be given, and if any single expense is more than 5% of total costs it should be disclosed)

13.5. Property management expenses

13.6. Professional fees

- a. Audit fees
- b. Actuarial fees
- c. Legal fees
- d. Valuations fees
- e. Accountancy fees
- f. Other consultancy fees

13.7. IPEC Levies

13.8. Bank Charges

13.9. GLA

- a. Premium rates
- b. Benefits

13.10. Depreciation

13.11. Fines and penalties

13.12. Provision for Bad Debts

14. Other Disclosures

14.1. Loans given to Trustees

14.2. Asset disclosures including shares or properties owned

14.3. Funds are to have annual general meetings where Trustees' remunerations should be approved. Minutes of these meetings should be kept.

15. General Disclosures

15.1. A fund shall, at its own expense, provide members, upon joining the fund, with a copy of the rules of the fund, and of any amendments to them as and when such amendments have been registered.

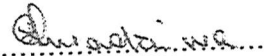
Notice of proposed amendment

15.2. Before the fund submits for registration, an amendment that has a financial impact on the future benefits of a member, the fund shall give a notice to the members, former members and retired members and the notice shall be accompanied by a copy of the proposed amendment and reasons for the amendment. Evidence of the notice must be attached to the rule amendment that will be submitted to the Commission.

16. Effective Date

The guideline is effective 1 January 2020.

Please be guided accordingly



Grace Muradzikwa

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS