



2 January 2025

Circular 1 of 2025

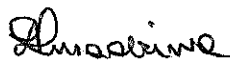
To: All Pension and Provident Funds
Zimbabwe Association of Pension Funds (ZAPF)
Life Offices Association of Zimbabwe (LOA)
Insurance Brokers Association of Zimbabwe (IBAZ)
Pension Fund Administrators

PENSION FUNDS REPORTING REQUIREMENTS

1. This Circular is issued in terms of Section 3(1) of the Insurance and Pensions Commission (Issuance of General Guidelines and Standards) Regulations, published in Statutory Instrument 69 of 2020, which empowers the Insurance and Pensions Commission, to issue general guidelines and standards to regulate and monitor the management and administration of pensions and provident funds to ensure that they maintain set standards and ensure compliance with the Pensions and Provident Funds Act [Chapter 24:32].
2. In 2020, the Commission issued Circular 20 of 2020 requiring pension funds to adopt International Financial Reporting Standards (IFRS Accounting Standards).
3. In 2022, Circular 24 was issued, stating that only pension funds with adequate resources should comply with IAS 29 - Financial Reporting in Hyperinflationary Economies.
4. Following the issuance of Circular 24 of 2022, the Commission has noted the following issues in the audited financial statements submitted:
 - a. Pension funds received qualified opinions due to not reporting under IAS 29, as Circular 24 caused a deviation from IFRS Accounting Standards.

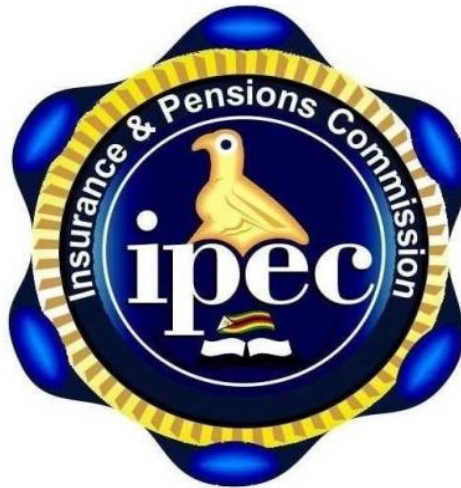
- b. Year-on-year comparisons are distorted because the historical figures for the comparative year are not adjusted for inflation, resulting in artificially low comparative numbers. Furthermore, reported figures do not reflect the true economic reality, potentially disadvantaging the members.
 - c. The ratios used to assess industry performance are misstated.
 - d. Inconsistencies in disclosures.
- 5. The Commission has also noted departures from IAS 21 - The Effects of Changes in Foreign Exchange Rates.
 - 6. As a result, the Commission, through stakeholder consultation is reviewing the reporting requirements and has come up with revised reporting requirements.
 - 7. The guideline will be effective from audited financial statements with the year ending 31 December 2025, but early adoption is recommended.
 - 8. Please find the draft guideline for your comments.
 - 9. Please submit your comments on the proposed changes by the end of day 17 January 2025.

Yours sincerely,



Grace Muradzikwa

COMMISSIONER OF INSURANCE, PENSIONS AND PROVIDENT FUNDS



FINANCIAL REPORTING GUIDELINE FOR PENSION FUNDS

JANUARY 2025

Authorisation

The Financial Reporting Guideline for the Pensions Industry (the Guideline) is issued in terms of section 3(1) of the Insurance and Pensions Commission (Issuance of General Guidelines and Standards) Regulation, 2020 published in Statutory Instrument 69 of 2020, which empowers the Commission, whenever it considers it necessary, convenient and in the best interests of pension and provident fund members, to issue general guidelines and standards.

1. Background

- 1.1. The Commission has noted non-compliance with the International Financial Reporting Standards (IFRS).
- 1.2. Errors in the audited financial statements.
- 1.3. Inconsistencies in the disclosures.
- 1.4. Following the issues noted above, the Commission has found it necessary to revise the reporting requirements.

2. Objectives of the Guideline

The objective of the Guideline is to guide the pension and provident funds industry on annual reporting requirements by:

- 2.1. Aligning reporting requirements to International Accounting Standards (IAS) 26 – Accounting and Reporting by Retirement Benefit Plans.
- 2.2. Aligning reporting requirements to International Accounting Standards (IAS) 29 - Financial Reporting in Hyperinflationary Economies and ensure consistent application in the pensions industry.
- 2.3. Aligning reporting requirements to International Accounting Standards (IAS) 21- The Effects of Changes in Foreign Exchange Rates.
- 2.4. Aligning the currency conversions to IFRS Accounting Standards.

3. Scope and Effective Date

- 3.1. The Guideline shall be applicable to all pension and provident funds. It shall be read with all other legislations pertaining to insurance and pension fund business carried out in Zimbabwe, including Circulars and other directives issued by the Commission.
- 3.2. This Guideline supersedes Circular 24 of 2022 regarding IAS 29.
- 3.3. The Guideline becomes operational from audited financial statements with the year ending 31 December 2025, but early adoption is recommended.
- 3.4. The Commission reserves the right to amend this Guideline from time to time in line with the changes in the legal and regulatory framework.

3.5. The requirements of this Guideline apply to both defined contributions and defined benefit pension funds except where it is indicated otherwise.

4. ANNEXURE 1

- 4.1 Pension funds should fully comply with IFRS Accounting Standards.
- 4.2 There are no changes to IAS 26 - Accounting and Reporting by Retirement Benefit Plans.
- 4.3 The layout of the financial statements remains the same except for those funds with approved actuarial valuations and conversion reports. These funds will now use Sub Accounts A and B instead of Sub Accounts 1, 2, and 3, as follows:

Statement of Changes in Net Assets Available for Benefits

	Sub Account A ZWG	Sub Account B US\$	Total ZWG + US\$ Converted
Income from membership activities			
Less benefits and payments			
Net Membership Activities			
Investment Income			
Less Investment Expenses			
Net Investment Income/ Loss			
Other Activities			
Less Other Expenses			
Net Other Income/ Loss			
Net Increase/ Decrease in Net Assets During the Year			
Net Assets Available for Benefits			
Add Net Assets Available for Benefits at End of Year			

Statement of Financial Position/ Statement of Net Assets Available for Benefits

	Sub Account A ZWG	Sub Account B US\$	Total ZWG + US\$ Converted
Non – Current Assets			
Current Investment Assets			
Other Current Assets			
Total Assets			
Less Non-Actuarial Liabilities			
Net Assets Available for Benefits at end of year			
Less Actuarial Liabilities			
Surplus/ Deficit			

- 4.4 Net assets available for benefits in the Statement of Changes in Net Assets Available for Benefits should match those in the Statement of Net Assets Available for Benefits.
- 4.5 All pension funds must prepare financial statements in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies.
- 4.6 Where bonuses are declared, they should be paid immediately so that the members get value.
- 4.7 Pension funds should report in the functional currency as defined by IAS 21.
- 4.8 Pension funds should disclose and justify the exchange rate used if it is different from the official exchange rate.
- 4.9 Pension funds should ensure that the audited financial statements are arithmetically accurate.
- 4.10 Pension funds should ensure that the conversions are done in accordance with IFRS. They should consult the Auditors in this regard.
- 4.11 Pension funds are expected to submit all the reports detailed in Circular 34 of 2022. For ease of reference, these have been appended to this guideline.
- 4.12 Late and partial submissions of quarterly returns, audited financial statements and actuarial reports will lead to regulatory sanctions.
- 4.13 Membership statistics should reconcile. Total membership is calculated as number of principal members at the beginning of the year + new entrants for the year – exits for the year.

5. ANNEXURE 2

5.1. Financial Statements to be Produced

- 5.1.1. The Audited Financial Statements should include the following:
- 5.1.2. Statement of Net Assets Available for Benefits / Statement of Financial Position.
- 5.1.3. Statement of Changes in Net Assets Available for Benefits / Fund Account.
- 5.1.4. Statement of Cashflows (using the direct method).
- 5.1.5. Membership statistics.
- 5.1.6. Pension funds that only receive US\$ contributions should have their financial statements prepared using US\$ as the functional currency.

6. Disclosures Required Either on the Face of the Financial Statements or In Accompanying Notes Together with Any Other IFRS Disclosure Requirements Not Mentioned:

- 6.1.1. Description of the investment policy.
- 6.1.2. Description of the fund and effect of any changes to the scheme during the period e.g., whether DB/DC, funding policy, changes in contribution levels, conversion from DB to DC and any other changes in fund rules or Principles and Practices of Financial Management.
- 6.1.3. Split of contributions between members and employers and between voluntary and non-voluntary contributions.
- 6.1.4. Disclosure of operating expenses.
- 6.1.5. Debtors' age analysis for rental arrears, contribution arrears and other major debtors. Also submit a separate debtors' age analysis for foreign currency-denominated debtors only, as applicable.
- 6.1.6. Unclaimed benefits age analysis, as applicable.
- 6.1.7. Apportionment of assets, liabilities, income and expenses to the relevant sub-accounts for all pension funds do not exempt from preparing sub accounts according to the Guidance Paper requirements.

- 6.1.8. The basis of valuation of assets for each significant class of assets including operating assets.
- 6.1.9. A reconciliation between the opening and closing value of major asset classes including any purchases and sales.
- 6.1.10. The market value of the assets under management of asset managers stating the names of the asset managers and investment fees and investment income per manager.
- 6.1.11. Details of any transfer of assets between sub accounts.
- 6.1.12. Schedule of any non-resident assets and liabilities.
- 6.1.13. Details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security
- 6.1.14. Schedule of foreign currency income, expenses, assets and liabilities.
- 6.1.15. Other liabilities other than actuarial liabilities.
- 6.1.16. Actuarial liabilities broken down into different membership categories and reserves.
- 6.1.17. Information relating to any material transactions and investments in the sponsoring employer or any related parties.
- 6.1.18. Reconciliation of membership statistics.
- 6.1.19. Details of any material non-adjusting events.
- 6.1.20. Summary of material accounting policies.
- 6.1.21. Compliance report showing level of compliance with regulatory requirements and any penalties and fines issued.
- 6.1.22. Details on all Prescribed Assets investments instruments including amounts invested and any dividends or investment returns received.
- 6.1.23. Breakdown of member accumulations between vested and non-vested portion and an explanation of what it means to pension scheme members. Vested and non-vested portions apply mainly to insured funds whereby the vested portion is the guaranteed portion and to defined benefit funds whereby the vested portion relates to

the actuarial present value of promised retirement benefits for members who have met the minimum requirements to receive the benefits as per the fund rules.

- 6.1.24. Breakdown of contribution arrears by sponsoring employer, if any, and state which employers have Certified Repayment Agreements.
- 6.1.25. For insured funds, provide breakdown of assets belonging to insured funds under guaranteed fund per asset class.
- 6.1.26. Investment performance for the period including any recommended bonuses and pension increases by the actuary.
- 6.1.27. Funding level for defined benefit pension funds.

6.2. Valuation of Fund Assets

- 6.2.1. Investment assets must be valued at fair value except debt instruments held to maturity which should be held at amortised cost.
- 6.2.2. For marketable securities / financial instruments, bid price at the end of the reporting period should be used.
- 6.2.3. Property should be valued using the functional currency applicable to the pension fund or sub account for pension funds with different fund accounts, that is for sub-account A and B, valuation should be in ZWG for local properties and for sub-account A and purely USD pension funds, valuation should be in USD. Please be guided by your Auditors in this regard.

6.3. Valuation of Actuarial Liabilities

- 6.3.1. Actuarial liabilities should be valued using the current period's actuarial valuation report or financial review report.

6.4. Income and Expenses

- 6.4.1. The accrual method should be used when accounting for income and expenses.

6.5. Other Reports

- 6.5.1. The financial statements should be accompanied by:

- 6.5.2. The Trustees' responsibility statement signed by both the Principal Officer and Chairman of the Board of Trustees.
- 6.5.3. Audit report with audit opinion.
- 6.5.4. Letter to management from the external auditor, if applicable.
- 6.5.5. Audit certificates for each insured fund, which is part of the guaranteed fund, clearly showing the movement in assets value of the fund and the assets attributable to the fund.
- 6.5.6. Property valuation reports.
- 6.5.7. Asset managers' reports.
- 6.5.8. The Commission also requires submission of the same on the IPEC online system using provided templates.