



Circular No. 2 of 2016

4 March 2016

ZIMBABWE ASSOCIATION OF PENSION FUNDS (ZAPF)

LIFE OFFICES ASSOCIATION (LOA)

FUND ADMINISTRATORS

BENEFIT STATEMENTS TO MEMBERS OF PENSION FUNDS

1. Background

The Commission has concerns on the quality of communication between certain pension funds and their membership. The level of information asymmetries in the pension industry is acute as members are not receiving adequate information pertaining to their retirement timely and consistently. Cases have been observed where members have not been receiving benefit statements for more than three (3) years. Where benefit statements are being dispatched to members, the level of detail provided by the fund to its members is not adequate and in other circumstances inconsistent to enable the members to plan for their retirement.

In view of this, the Commission hereby stipulates the minimum information requirements that should be disclosed to the members at the end of each calendar year.

2. Basis of the Circular

This circular has been issued in terms of item 21 of the First Schedule of the Insurance and Pensions Commission Act (Chapter 24:21) which empowers the Commission to do all things as are calculated to facilitate or are incidental or conducive to the performance of its function in terms of the IPEC Act or any other enactment.

3. Objectives of the Circular

The Circular, as part of protecting the rights, benefits and interests of pension fund members and other beneficiaries, aims to achieve the following objectives;

- a) Stipulate the minimum information requirements that should be communicated to members to of a pension fund at the end of each calendar year.
- b) Ensure that members receive their benefit statements in a timely and consistent manner
- c) Enhance transparency and disclosure requirements in the pension industry to enable members' plan for their retirement

4. Content of the benefit statement

At a minimum, any benefit statement given to a pension fund member should include the following information;

- a) Name and contact details of the administrator administering the pension fund;
- b) Name and contact details of the pension fund;
- c) Name and contact details of the member to whom the benefit statement is being sent;
- d) Member's date of birth as well as the date when he /she became contributory to the fund;
- e) The member's Normal Retirement Date (NRD);
- f) The date at which the information on the benefit statement is based;
- g) Opening accumulated value as at the beginning of the reporting period, and interest earned thereof during the course of the same reporting period;
- h) Amount and accumulated interest transferred to/from other pension fund(s)
- i) Contributions made during the year clearly indicating both employer and employee contributions as well as the interest earned thereof during the reporting period;
- j) Additional voluntary contributions if any made by the member into his account and/or voluntary contributions made by the sponsoring employer for the members as well as the interest earned thereof;
- k) Accumulated outstanding contributions plus accrued interest on the same, both employer and employee contributions as at the date of the benefit statement;
- l) Split of total contributions between those remitted and those in arrears
- m) The expenses and any other fees deducted from the members' accumulations;
- n) Projected capital sum and replacement ratio as at the Normal Retirement Date;
- o) Details on life policies and any other policies issued to members

- p) Short summary of the rules of the fund on how benefits are paid i.e. when benefits from the fund become payable and the taxability of the benefits
- q) Any other information considered relevant

5. Communication of the benefit statements to members

Once the actuarial report for the relevant year has been finalised, the Board of Trustees should ensure that benefit statements are prepared and sent to the members of the fund within six months from the end of the calendar year to which the benefit statement refer.

Should the Board of Trustees fail to adopt the actuarial recommendations and therefore delay the processing of the benefit statements beyond the six months after the end of the calendar year, the Board, through the principal officer of the fund should advise the Commission of the reasons why the recommendations from the actuary have not been adopted, thus delaying communication of benefit statements to the fund members.

6. Enforcement Measures

Should a fund administrator fail to dispatch the benefit statements to their respective constituencies in a timely manner without reasonable cause, a monthly penalty equivalent to level six will be levied against the principal officer, the Board of Trustees and/or the fund administrator.

Any fine levied in terms of this section will not be borne by the pension fund but either by the Board of Trustees, the principal officer or fund administrator in their personal capacities.

The Commission also reserves the right to declare the principal officer or the Board of Trustees not to be fit and proper to act on behalf of the fund and can therefore call for their immediate replacement.


M.S. Mpofu (Mrs)

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS