

REPORT

Of the

**COMMISSIONER OF INSURANCE, PENSION
AND PROVIDENT FUNDS**

For the

Year ended 31st December, 2009

ANNUAL REPORT

Of the

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

For the

Year ended 31st December, 2009

Addresses:-

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Ministry of Finance
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26 November 2010

The Honourable Mr T. Biti, Minister of Finance

Dear Sir,

I have the honour to submit, in terms of section 32 of the Pension and Provident Funds Act [*Chapter 24:09*] my report for the year ended 31st December 2009.

Yours faithfully

M. S. Mpofu
COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

PREAMBLE

Under Section 32 of the Pension and Provident Funds Act [Chapter 24:09], the Commissioner of Insurance, Pension and Provident Funds is required to submit an Annual Report reflecting the performance of the Pension and Provident Funds Industry for the year ended 31st December 2009.

ECONOMIC OVERVIEW

The introduction of the multicurrency system in February 2009 brought in some modicum of stability in the economy. Coming from a decade of inflation and two years of hyperinflation, dollarization drastically reduced inflation and brought in a semblance of economic growth. The general level of inflation for the year 2009 was at -7.7 %. During the period 2009 GDP growth was at 5.7 %. The country began to experience growth during the year 2009 due to dollarization of the economy. It is hoped that the country will continue to experience growth that benefits all sectors including pension funds. If economic growth continues to rise, companies and households will have more disposable incomes and will be in a position to save for retirement through contribution to pension funds.

Major sectors of the economy performed as follows:

- | | |
|-------------------------|-------|
| ▪ Agriculture | 14.9% |
| ▪ Mining | 8.5% |
| ▪ Manufacturing | 10.2% |
| ▪ Tourism | 6.5% |
| ▪ Finance and Insurance | 4.5% |

(Source: The 2010 Mid –Year Fiscal Policy Review Statement)

Pension Funds

In 2009, the country shelved the use of the Zimbabwean dollar and a multi currency system was introduced. Most pension funds suspended the payments of monthly pension to members. A conversion process was carried out by the pension funds industry in order to dollarize pensioners' capital balances which were in Zimbabwe dollars.

As many employers paid salaries in various ways including fuel coupons or groceries, pension contributions were not being deducted. In other cases employers resorted to paying allowances thus again pension contributions were not being deducted. This will obviously impact negatively on pension benefits.

It should be noted that it is not possible for the Commission to compare the performance to previous years because of the currency differences between 2009 and the previous year.

Number of Funds

In 2009 there was a small increase in registered funds, which is a reversal from the general trend in the early years of this millennium. The coming into play of multi currency was the main reason, as it left a few companies paying salaries.

Table 1 shows that as at 31 December 2009, the Insurance and Pensions Commission had fully registered 2900 pension funds. This figure includes pension funds that have been discontinued but not yet deregistered. After changing to multi currency, most companies left their pension funds dormant as they could not maintain payment of pension contributions.

Fund Membership

Table IIA depicts the total membership in Zimbabwe during the period under review. Membership stood at 886,890 as at 31 December 2009. There was a drop in the membership, generally, compared to the period prior to the multi currency era. This was caused by failure to maintain pension contributions by companies since most companies were paying allowances instead of salaries during that period.

Number of deferred pensioners

Table IIA reveals that 232,646 members deferred in 2009. This relates to 26% of the total membership number.

Number of Persons in receipt of Pension

The total number of persons in receipt of pension for the year 2009 was 67,587. This represents 8% of the total membership. Of that number 32,883 were former members, while the difference was shared between widows and others.

Income

The year 2009 experienced a change of currency from Zimbabwean dollar to a multi currency regime, but mostly United States Dollar.

As per Table III total contributions were US\$152,329,810. Of the total contributions for 2009, 36% was contributed by members. The remaining 64% was contributed by the employer. Since employees were being paid allowances, with a few getting pensionable

salaries, their contribution was of a smaller percentage. Moreover, in most cases employer contributions tend to constitute a bigger percentage of contributions.

Expenditure

Annexure II reveals that the total expenditure for the year ending 31 December 2009 was US\$1,656,337,630. Of the expenditure incurred, US\$24,400,587 was incurred on administration.

Benefits

As outlined in Annexure III, the total benefit payments for the year ended 31 December 2009 was US\$77,292,050. 50% of this amount was lumpsum awards paid on retirement. The changing of currency to multi currency resulted in many companies either closing down or cutting down the employee workforce, so as to reduce on overheads as business was still low. As a result, many employees were retrenched and others voluntarily retired. Subsequent to this, most pension funds paid numerous retirement lumpsums especially towards the end of the year.

Assets and Liabilities

Tables V and VI show the position of assets and liabilities during the period under review. Assets for the rest of the industry for the year ending 31 December 2009 were valued at US\$1,779,655,361.

Annexure IV shows that there was no investment in Government stocks for the period under review. This was because of the suspension of prescribed assets by the Minister of Finance in his mid year fiscal policy review.

Annexure IV outlines that investment in other approved holdings had a total figure of US\$31,751,194.

Investment in shares, debentures, unit trusts and building societies contributed a 38% of the total asset value for the industry. This was the second highest form of investment after conversion as pension funds had invested most of their cash in stocks and unit trusts in the hyper inflationary period as a measure of maintaining value.

The level of investment in fixed property contributed 40% of the total market value for assets. This is because fixed assets do not lose value that much, as such even after conversion fixed assets such as buildings did not lose much value and therefore contributing greatly to the to the total value.

US\$117,761,701 was invested in assets outside Zimbabwe.

Non Payment of Contributions

The Commission continued to experience problems of non payment of contributions by employers. This resulted in the Commission working with the Fraud Squad to compel employers to pay and some of them responded, while others are being pursued.

Conversion and Full Commutation

The changing of the currency regime from Zimbabwe dollars to multi currency brought about a cash crunch which saw a number of pension funds having very little cash for day to day activities. The process which was largely carried out by Actuaries saw most pension fund values starting from very low values and in some instances zero values, as a result of ravaging inflation.

After conversion, pension funds informed their members of their low or nil capital values. This generated a new scenario which saw some members opting to commute their pension in full. Some pensioners walked away with peanuts after spending a long period saving for their retirement, an unfortunate situation indeed.

Conclusion

I would like to thank the pensions fund industry for the unwavering support they have rendered to the Commission in these turbulent times. May this spirit continue for years to come.

It is our hope that the country's economic fortunes will continue to improve thus facilitating the recovery of the pensions industry.

M. S. Mpofu

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

GENERAL NOTES TO ANNEXURES

“Pension Fund” means any fund (usually established by the employer) the principal object of which is to provide the payment of a pension to a person who is or has been a member of the fund on his/her retirement.

“Provident Fund” means a fund that provides for the payment of cash lump sum on the members’ retirement.

“Retirement Annuity Fund” means a fund established by an association of persons or an insurer for individuals to join and which –

- (a) Provides for the payment of a pension to a person who has been a member of the fund on his retirement, and
- (b) Is operated either as insurance company scheme or without payment of commission to any person for the introduction of business.

“Insurance Company Scheme” means a scheme, which provides for the establishment of a fund and its operation is exclusively by means of one or more policies of insurance by the insurer.

“Self Administered Fund” means a fund, which is not an insurance company scheme.

“A Trustee of a Pension Fund” means a person who has either been appointed or elected to that position in terms of a Pension Fund’s rules.

“A professional fund manager or employee benefit consultant” is defined as an organization or person other than an insurer or broker who carries on the business of administering any fund on behalf of its trustees whether as principal officer of the fund or otherwise.

“Actuary” means a person who is a member, Associate or Fellow of a professional institute, faculty, society or association of actuaries, recognized as such by the Commission.

COVERAGE

These tables provide an analysis based on the returns submitted by pension and provided funds and retirement annuity funds for 2009.

However, funds with membership of less than 13 are not obliged to submit annual returns.

ANNEXURE I					
MEMBERSHIP OF PENSION AND PROVIDENT FUNDS					
			2009		
	S/Ad. Fds.		Ins.Co. Sch.		
	Pens.	Prov.	R/A	Pens. & Prov.	Total
Number of funds	155	0	15	1,064	1,234
Number of members	265,962	0	743	319,929	586,634
Number of deferred pensioners	54,687	0	0	177,959	232,646
Number of persons in receipt of pensions and annuities					
(i) Former members	15,571	0	1,403	15,909	32,883
(ii) Widows	13,317	0	995	3,134	17,446
(iii) Others	14,415	0	0	2,843	17,258
Sub-total	43,303	0	2,398	21,886	67,587
Number to whom lump sum benefits are paid in instalments	23	0	0	0	23
Total membership	363,975	0	3,141	519,774	886,890
Total membership outside Zimbabwe only	187	0	0	0	187

ANNEXURE II CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT OF PENSION AND PROVIDENT FUNDS				
	2009			
	S/Ad.Fds.		Ins. Co.	
	Pens	Prov	Sch.	Total
INCOME				
Balance of funds at the beginning of year (a)	553,300,310	0	321,665,829	874,966,139
Total contributions (b)	125,691,180	0	26,638,630	152,329,810
Amount received on transfer from other funds	6,101,520	0	0	6,101,520
Amount received on life insurance and reinsurance	14,316,865	0	144,477	14,461,342
Income from investments:				
(i) interest	28,426,584	0	16,762	28,443,346
(ii) dividends	38,262,443	0	10,090	38,272,533
(iii) rent	20,130,287	0	82,209	20,212,496
Income from property investments (insurers only):				
(i) rent	0	0	9,121,191	9,121,191
(ii) interest	0	0	292,618,235	292,618,235
Surplus on sales/redemption of investments	70,890,621	0	2,228,296	73,118,917
Amounts by which investments were written up	40,098,308	0	42,589,429	82,687,737
Transfer from reserves	23,433,473	0	5,787,667	29,221,140
Other income	19,293,507	0	15,489,717	34,783,224
TOTAL	939,945,098	0	716,392,532	1,656,337,630
EXPENDITURE				
Total benefits	40,132,905	0	37,159,145	77,292,050
Premiums paid on life assurance and reinsurance	22,295,499	0	566,182	22,861,681
Amounts transferred to other funds	9,023,223	0	4,708,904	13,732,127
Other expenditure (including transfers/payments to other funds)	31,045,097	0	0	31,045,097
Loss on sale and redemption of investments	4,378,145	0	0	4,378,145
Amounts by which investments were written down	5,541,087	0	0	5,541,087
Administration expenditure	14,869,734	0	9,530,853	24,400,587
Transfer to reserves	13,322,423	0	7,061,612	20,384,035
Balance of fund	799,336,986	0	657,365,836	1,456,702,822
TOTAL	939,945,098	0	716,392,532	1,656,337,630
(a) Balance of fund at the end of year may be different from the amount shown at the beginning of the year for a number of reasons e.g new funds, self-administered funds being transferred to insurance co. etc.				
(b) Breakdown of contributions and benefits is shown in annexure 3				

ANNEXURE III	ANALYSIS OF CONTRIBUTIONS PAID TO AND BENEFITS PAID BY PENSION AND PROVIDENT FUNDS				
	2009				
	S/Ad.Fds.		Ins. Co.		
	Pens	Prov.	Sch.	Total	
1 Contributions by members					
(i) current	49,846,235	0	4,039,688	53,885,923	
(ii)voluntary	245,681	0	39,915	285,596	
(iii)arrears	0	0	0	0	
Sub-total	50,091,915	0	4,079,603	54,171,518	
2 By employers					
(i) normal (a)	70,543,680	0	21,108,513	91,652,193	
(ii)special	5,055,585	0	1,450,514	6,506,099	
Sub-total	75,599,265	0	22,559,027	98,158,292	
TOTAL CONTRIBUTIONS	125,691,180	0	26,638,630	152,329,810	
Benefits					
(i) pensions	13,380,134	0	1,415,910	14,796,044	
(ii) lump sum awards on death	6,943,608	0	862,389	7,805,997	
(iii)lump sum awards on retirement	13,744,454	0	24,961,361	38,705,815	
(iv) lump sum awards on resignation/dismissal	6,064,709	0	9,919,485	15,984,194	
TOTAL BENEFITS	40,132,905	0	37,159,145	77,292,050	
(a) This refers to recurrent contributions.					
(b) Special contributions are those not normally recurrent e.g. lump sums.					

ANNEXURE IV	CONSOLIDATED BALANCE SHEET OF PENSION AND PROVIDENT FUNDS			
	2009			
	S/Ad.Fds.		Ins. Co.	
	Pens	Prov.	Sch.	Total
LIABILITIES				
Amount of fund	799,336,986	0	682,849,256	1,482,186,242
Reserves	152,397,668	0	7,782,826	160,180,494
Provisions	21,491,071	0	59,986	21,551,057
Sundry creditors (a)	103,443,093	0	12,294,475	115,737,568
TOTAL	1,076,668,818	0	702,986,543	1,779,655,361
ASSETS				
Investments				
(i) Government stock	0	0	0	0
(ii) Other approved holdings	31,751,194	0	0	31,751,194
(iii) Debentures quoted	2,724,646	0	0	2,724,646
unquoted	80,000	0	0	80,000
(iv) Preference shares quoted	630,452	0	0	630,452
unquoted	2,449,849	0	0	2,449,849
(v) Ordinary and deferred shares quoted	270,322,440	0	34,890,180	305,212,620
unquoted	7,673,163	0	298,820,336	306,493,499
(vi) Loans and mortgages on property	25,180,096	0	0	25,180,096
(vii) Units in trust schemes	17,212,554	0	0	17,212,554
(viii) Building society shares	48,179,163	0	0	48,179,163
(ix) Fixed property less depreciation	379,038,540	0	79,347,408	458,385,948
(x) Deposits and savings accounts	22,289,886	0	872,319	23,162,205
(xi) Shares in, and advances to subsidiary property companies	4,251,994	0	255,917,349	260,169,343
(xii) Cash on hand or at short notice	11,323,476	0	7,657,856	18,981,332
(xiii) Other investments	43,031,246	0	15,333,875	58,365,121
Office furniture and equipment less accumulated depreciation	1,669,472	0	1,499,591	3,169,063
Sundry debtors	51,326,906	0	7,584,447	58,911,353
Assets outside Zimbabwe (self administered funds only)	117,349,269	0	412,432	117,761,701
Others (including payments in advance)	21,565,943	0	650,750	22,216,693
Cash on hand and at bank	18,618,529	0	0	18,618,529
TOTAL	1,076,668,819	0	702,986,543	1,779,655,361
Assets of S/Admin. Funds held by Insurers	40,225,249			
(a) Sundry creditors includes contributions and interest received in advance and benefits awarded but not paid				
(b) Note that the above assets are shown at book value as against Table 5, which shows assets at cost.				

TABLE I		NUMBER OF REGISTERED FUNDS	
TYPE OF FUND	As at December, 2009		TOTAL
	Provisionally Registered	Fully Registered	
Pension funds.....	5	2,900	2,905
Provident funds.....	0	56	56
Retirement annuity funds.....	0	15	15
TOTAL.....	5	2,971	2,976

TABLE II A		NUMBER OF MEMBERS	
FUND MEMBERSHIP 2009 ZIMBABWE			
	Number of members		
	2009		
1 Number of members.....	586,634		
2 Number of deferred pensioners....	232,646		
3 Number of persons in receipt of pensions and annuities			
(i) former members.....	32,883		
(ii) widows.....	17,446		
(iii) others.....	17,258		
Sub- Total.....	67,587		
(iv) Number to whom lump sum-benefits are paid in cash instalments.....	23		
(v) Total membership	886,890		

TABLE II B		NUMBER OF MEMBERS	
FUND MEMBERSHIP 2009 OUTSIDE ZIMBABWE			
	Number of members		
	2009		
1 Number of members.....	0		
2 Number of deferred pensioners....	0		
3 Number of persons in receipt of pensions and annuities			
(i) former members.....	131		
(ii) widows.....	45		
(iii) others.....	11		
Sub- Total.....	187		
4. Number to whom lump sum-benefits are paid in cash instalments.....	23		
(v) Total membership	210		

TABLE III CONTRIBUTIONS 2009	
=====	
Type of contributions	contributions
	2009

1 By members :	
(i) current.....	53,885,923
'(ii) voluntary.....	285,596
'(iii) arrear.....	0
Sub-Total.....	54,171,518

2 By employers :	
(i) normal.....	91,652,193
(ii) special.....	6,506,099
Sub-Total.....	98,158,292

GRAND TOTAL.....	152,329,810
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TABLE IV	
BENEFITS 2009	
=====	
BENEFITS	Amount of benefits
	2009

'(i) Pensions.....	14,796,044
(ii) Lump sum awards on death.....	7,805,997
(iii) Lump sum awards on retirement.....	38,705,815
(iv) Lump sum awards on resignation/dismissal.....	15,984,194

TOTAL.....	77,292,050
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TABLE V	
ASSETS 2009	
=====	
	2009

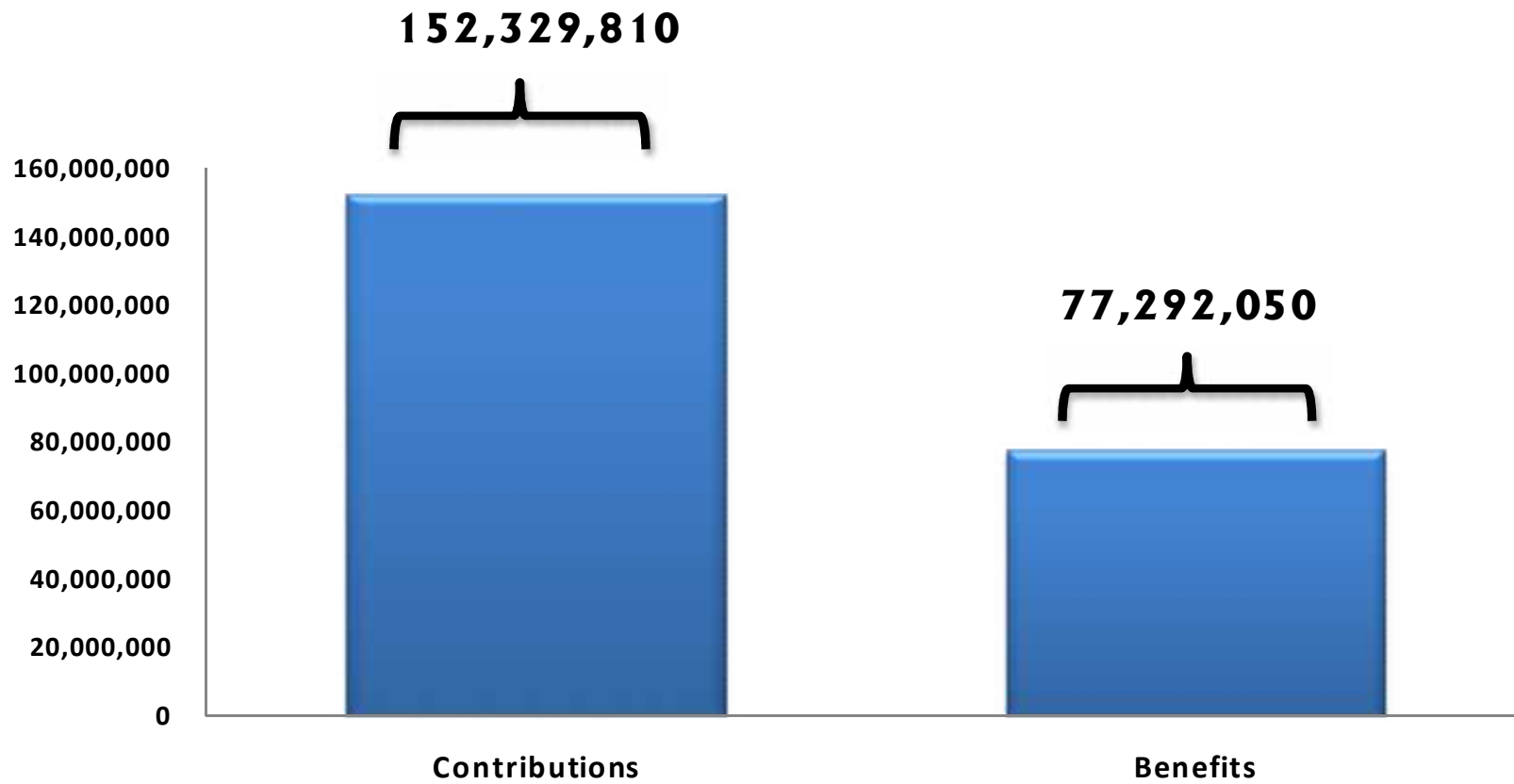
1. Government stock.....	0
2. Other approved holdings.....	31,751,194
3. Shares, debentures, unit trusts and building society shares.....	682,982,783
4. Loans and mortgages on property.....	25,180,096
5. Fixed property, shares and advances on subsidiary companies	718,555,291
6. Cash, deposits and savings accounts.....	60,762,066
7. Assets outside Zimbabwe.....	117,761,701
8. Other investments.....	80,581,814
9. Other assets.....	62,080,416

TOTAL.....	1,779,655,361
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TABLE VI	
LIABILITIES	
=====	
	2009

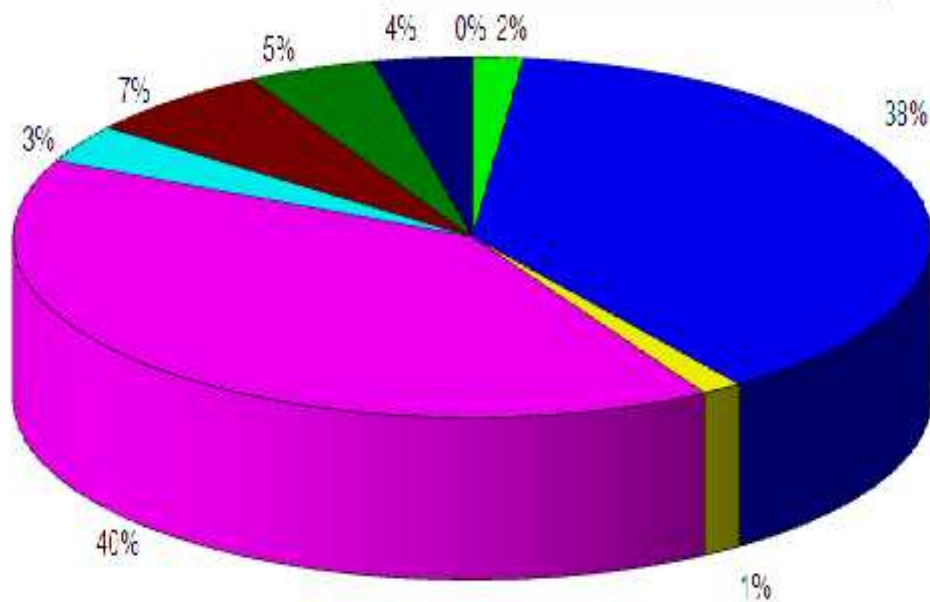
Amount of fund.....	1,482,186,242
Reserves.....	160,180,494
Provisions.....	21,551,057
Sundry creditors.....	115,737,568

TOTAL.....	1,779,655,361
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2009 :Contributions and Benefits (US\$)



ANALYSIS OF ASSETS
For the year ended 31 December 2009



- Government stock
- Other approved holdings
- Shares, debentures, unit trusts and building society shares
- Loans and mortgages on property
- Fixed property, shares and advances on subsidiary property co.
- Cash, deposits and savings accounts
- Assets outside Zimbabwe
- Other investments
- Other assets