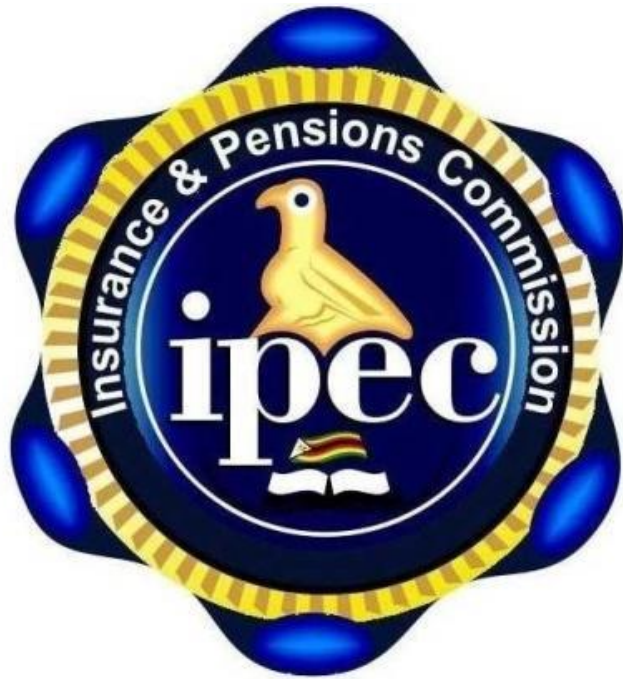


INSURANCE AND PENSION COMMISSION



ANNUAL REPORT
2013

**SELF ADMINISTERED
PENSION FUNDS**

BANKERS

First Banking Corporation Limited

REGISTERED OFFICE

160 Rhodesville Avenue
Greendale
Harare
Zimbabwe

Telephone: +263-4-443358/361/422
Cellphone: +263 772 154 281-4
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Email: enquiries@ipec.co.zw
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VISION

A vibrant insurance and pension industry contributing towards a safe and stable financial system

MISSION

To regulate and supervise insurance and pension industry so as to protect the interests of policy holders and pension scheme members.

VALUES

- Integrity
- Fairness
- Transparency and accountability
- Accessibility
- Responsive
- Empathy
- Confidentiality
- Discipline
- Equal opportunity employer
- Professionalism

Ministry of Finance
PBag7705
Causeway
Harare

20 January 2015

The Honourable Mr P. Chinamasa, 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 2013.

Yours faithfully,

M.S. Mpofu

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

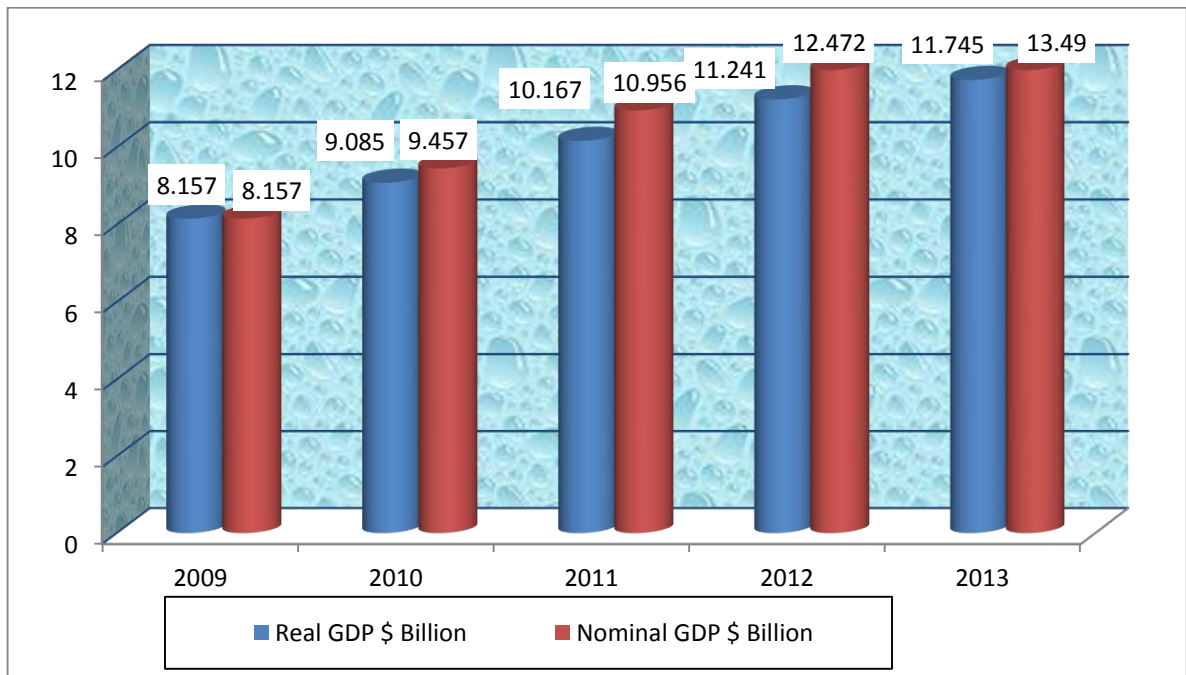
PREAMBLE

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 2013.

ECONOMIC OVERVIEW

The Zimbabwean economy continued to grow since the introduction of the multi-currency regime. In 2013 Gross Domestic Product (GDP) marginally increased to \$11.7 billion. This was a 4% increase from the previous quarter. This slowdown in growth is due to liquidity challenges and a volatile and fragile global financial environment. Figure a, below shows the economic growth trend from 2009 to 2013.

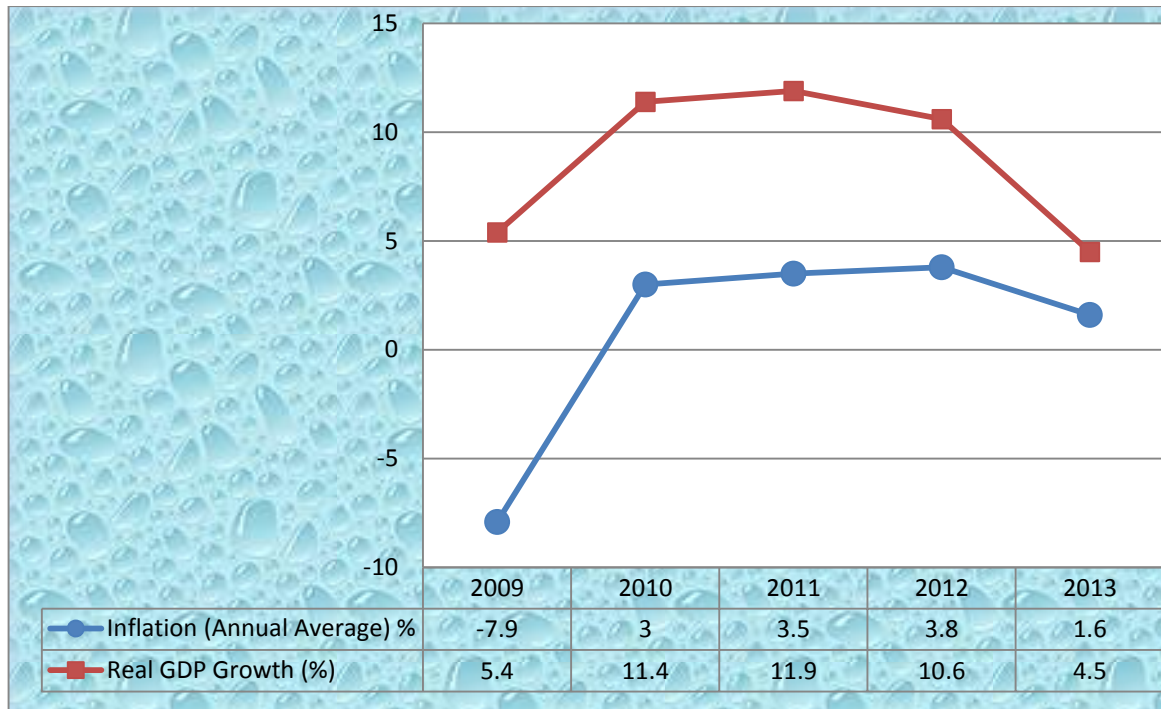
Figure a): Economic Growth Trend



Source: www.zimstat.co.zw, MoF

The inflation rate remained single digit since 2009 and was 1.6 % in 2013 from the previous 3.8% for 2012. Figure b indicates the economic growth and inflation trend from 2009 to 2013.

Figure b): GDP and Inflation Trends



Source: MoF

There was marginal slowdown in manufacturing and agriculture. Mining, Finance and Insurance witnessed the fastest growth amid financial challenges. (see table 2 below):

Table 1: Real Sector Growth (%)

Sector	2010	2011	2012	2013
Agriculture, hunting and fishing	7.2	1.4	7.8	-2.6%
Mining and Quarrying	37.4	24.4	8.0	11.7%
Manufacturing	2.0	13.8	5.3	-0.6%
Electricity and Water	19.5	6.4	0.3	5.0%
Construction	14.1	65.1	23.5	3.9%
Finance and Insurance	8.3	8.3	28.0	11.3%
Real Estate	4.9	48.9	59.0	0.7%
Distribution, hotels and Restaurants	8.8	4.3	4.3	3.9%
Transport and Communication	4.7	0.0	6.7	7.0%
GPD at market prices	11.4	11.9	10.6	4.5%

Source: www.zimstat.co.zw & The 2015 National Budget Statement pg 22

The Zimbabwean continues to face a myriad of challenges that may retard future growth prospects. Economic growth for future years has been projected to be lower than 10%.

The challenges that are likely to reduce any economic growth include the following:

- a) Limited use of monetary policy instruments
- b) Liquidity challenges within the economy;
- c) Low foreign direct investment;
- d) Funding constraints;
- e) deindustrialisation and informalisation of the economy
- f) Unreliable rainfall patterns.

Pension Fund Contributions

For the period under review, total contributions grew by 5% from \$327 million in 2012 to the current \$342 million with 66 % or \$225 million of the contributions being funded by employers (2012: \$211 million or 65%). As shown by Annexure III the contributions have largely remained flat between employers and employees.

Growth of Assets

Total assets rose from \$2.3 billion for the year ended 31 December 2012 to \$2.5 billion as at 31 December 2013. This 10 % growth was mainly contributed by assets outside Zimbabwe, savings and ordinary shares. Government stock has been significant by contributing 10% to the industry growth. (See Table V and Figure2).

Number of Funds

During the reporting year, the Commission provisionally registered 12 pension funds bringing the total to 1831 pension funds by the 31st of December 2013(See Table I). the Commission has engaged different administrators with a view to come up with a formula to ensure that dormant pension funds can either be dissolved or given a paid up status. This will help to preserve value on the individual member's pension.

Fund Membership

There was a 1 % decrease in total membership from 711 396 to 704 097(See Table II A). Full commutations and other pre-mature fund claims continue to be the main reason why membership decreased. There was a 10% increase in widows receiving a pension in the country. (See Table II B).

Number of deferred pensioners

For the year ended 31 December 2013, there were 246 935 deferred members compared to 266 537 reported in the prior year. Deferred members represented 35% of the total membership. However there was a 7% decrease in the number of deferred pensioners compared to the previous year (2012).

Number of Persons in receipt of Pension

The total number of pensioners on the pay roll for the year 2013 was 32 183, a 9% downturn from 2012. The continuous reduction is a result of members who fully commuted their benefits and a smaller number of unaccounted for members as periodically advertised in the public press.

Income

Annexure VI shows that income for 2013 increased by 25 % to \$732 million. Of this figure, \$341million or 47% of the income was contributions (2012: \$327m or 56%). Other income contributed \$304 million or 42% with investments reportedly making the balance of \$86 million (See Annexure VI).

Expenditure

Expenditure amounted to \$305 million for the year ended 31 December 2013.This is a 2% increase from the previous year's figure of \$297 million. However this meant that 71% of the income received by pension funds was used in expenditure. The Commission is not impressed with these high expenditure levels and is engaging the concerned stakeholders so as to come up with a formula to reduce these costs with a view to ensure administrators contain the expense within internationally recognised limit (See Annexure VI).

Benefits

Benefit payments increased from \$150 million in 2012 to \$157 million in 2013. This pattern is partly explained by the increased fund member's awareness of their benefit entitlements.

Liabilities

Liabilities continue to grow from year to year ending the year 2013 at \$2,6 billion. This is a 22% increase from the 2012 figure of \$2.3 billion. (See Table VI).The Commission continues to engage and monitor asset-liability matching by funds to ensure reasonable expectations of members are met.

Compliance with Prescribed Assets

Section 18 of the Pension and Provident Funds Act requires funds to invest at least 10% of their total assets in prescribed paper. Government stock uptake rose from \$17 million in 2012 to \$19 million in the period under review and this still represents only 1%. However this is still below the minimum requirement of 10% and the Commission is engaging all pension funds.

Arrear Contributions

The Commission is continuing to engage employers who are defaulting in submitting contributions within the stipulated 14 day period. With the prevailing economic hardships, most employers are failing to pay the current outstanding contributions, thus negatively affecting pension benefits.

Conversion to United States Dollars

The Ministry of Finance is working on setting up a commission to finalise the work already done and recommend the way forward.

Conclusion

The Commission urges all sponsors to submit monthly contributions whenever they fall due. Failure to remit contributions has resulted in pension funds being unable to take advantage of investment opportunities thereby denying pension fund members decent retirement benefits. It is imperative that employers give priority to remittances to pension funds so that the latter's members realise reasonable benefits on retirement.

Acknowledgements

I take this opportunity to thank all stakeholders for their support to the Commission during the period under review. This enabled the Commission to perform its regulatory duties and responsibilities with minimum challenges.

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 or 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 provident funds and retirement annuity funds for 2013.

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

ANNEXURE I

MEMBERSHIP OF PENSION AND PROVIDENT FUNDS

	2012					2013				
	S/Ad. Fds.		Ins.Co. Sch.	Pens		S/Ad. Fds.		Ins.Co. Sch.	Pens	
	Pens.	Prov. Reg	R/A	& Prov.	TOTAL	Pens.	Prov.	R/A	& Prov.	TOTAL
Number of funds	173	0	15	255	443	171	0	15	1,095	1,281
Number of members	268,140	0	270	98,662	367,072	268,693	0	459	126,635	395,787
Number of deferred pensioners	62,918	0	33,594	177,187	273,699	63,270	0	6,272	177,393	246,935
Number of persons in receipt of pensions and annuities										
(i) Former members	20,916	0	226	9,841	30,983	20,916	0	122	11,145	32,183
(ii) Widows	14,871	0	126	889	15,886	14,871	0	55	3,205	18,131
(iii) Others	9,080	0	23	259	9,362	9,080	0	14	601	9,695
Sub-total	44,867	0	375	10,989	56,231	44,867	0	191	14,951	60,009
Number to whom lump sum benefits are paid in instalments	1,133	0	0	0	1,133	1,175	0	191	0	1,366
Total membership	377,058	0	34,239	286,838	698,135	378,005	0	7,113	318,979	704,097
Total membership outside Zimbabwe only	3,362				3,362	3,197				3,197
	255,688	0	0	0	255,688	314,735	0	0	0	317,932

ANNEXURE II CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT OF PENSION AND PROVIDENT FUNDS (US\$)								
	2012				2013			
	S/Ad.Fds.		Ins.		S/Ad.Fds.		Ins.	
			Co.				Co.	
	Pens	Prov	Sch.	Total	Pens	Prov	Sch.	Total
INCOME								
Balance of funds at the beginning of year (a)	4,050,409,168	0	768,033,700	4,818,442,868	4,055,566,400	0	861,246,416	4,916,812,816
Total contributions (b)	199,592,282	0	127,068,020	326,660,302	215,611,155	0	126,106,304	341,717,459
Amount received on transfer from other funds	6,551,405	0	0	6,551,405	8,269,844	0	0	8,269,844
Amount received on life insurance and reinsurance	1,333,121	0	92,412	1,425,533	1,333,121	0	0	1,333,121
Income from investments:								
(i) interest	23,379,777	0	163,759	23,543,536	27,037,525	0	941,050	27,978,575
(ii) dividends	11,797,047	0	522,207	12,319,254	11,860,101	0	534,691	12,394,792
(iii)rent	42,434,863	0	(466,245)	41,968,618	42,443,670	0	3,513,772	45,957,442
Income from property investments (insurers only):								
(i) rent	0	0	6,624,890	6,624,890	0	0	16,031,354	16,031,354
(ii)interest	0	0	52,047,446	52,047,446	0	0	133,720,727	133,720,727
Surplus on sales/redemption of investments	5,772,819	0	(9,382)	5,763,437	5,827,357	0	1,006,294	6,833,651
Amounts by which investments were written up	61,584,513	0	6,460,763	68,045,276	61,699,275	0	9,162,048	70,861,323
Transfer from reserves	916,789	0	(1,855,779)	(938,990)	916,789	0	27,682,797	28,599,586
Other income	12,634,648	0	30,350,321	42,984,969	14,447,110	0	24,064,968	38,512,078
TOTAL	4,416,406,432	0	989,032,112	5,405,438,544	4,423,969,743	0	1,200,384,045	5,627,466,392
EXPENDITURE								
Total benefits	87,361,136	0	62,949,347	150,310,483	89,720,503	0	67,388,021	157,108,524
Premiums paid on life assurance and reinsurance	6,569,378	0	294,679	6,864,057	6,564,754	0	218,775	6,783,529
Amounts transferred to other funds	23,147,861	0	24,969,268	48,117,129	23,432,026	0	26,943,919	50,375,945
Other expenditure (including transfers/payments to other funds)	33,514,528	0	339,822	33,854,350	33,539,497	0	594,306	34,133,803
Loss on sale and redemption of investments	3,250,342	0	0	3,250,342	3,291,062	0	0	3,291,062
Amounts by which investments were written down	3,648,103	0	0	3,648,103	3,770,489	0	0	3,770,489
Administration expenditure	9,927,121	0	16,351,503	26,278,624	10,292,509	0	22,747,690	33,040,199
Transfer to reserves	5,989,294	0	19,443,555	25,432,849	5,989,294	0	10,586,121	16,575,415
Balance of fund	1,282,231,450	0	864,683,938	2,146,915,388	1,289,207,680	0	1,074,771,148	2,363,978,828
TOTAL	1,455,639,213	0	989,032,112	2,444,671,325	1,465,807,814	0	1,203,249,980	2,669,057,794
(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 V	ANALYSIS OF ASSETS AT COST (US\$) (a)															
	2012								2013							
	S/Ad.Fds.		Prov.		Ins.		Total	S/Ad.Fds.		Prov.		Ins.		Total		
	Pens	(per cent)			Sch.			Pens	(per cent)			Sch.				
Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
Prescribed assets:																
Local registered securities																
(i) Zimbabwe Government	6,696,257	1	0	0	7,128,014	0	13,824,271	1	6,696,257	1	0	#DIV/0!	5,563,953	1	12,260,210	1
(ii) Local authorities	3,570,715	0	0	0	0	0	3,570,715	0	3,570,715	0	0	#DIV/0!	0	0	3,570,715	0
(iii) Statutory bodies	5,504,524	0	0	0	206,533	0	5,711,057	0	5,557,486	0	0	#DIV/0!	2,294,125	0	7,851,611	0
Approved loans																
Statutory bodies	5,426,377	0	0	0	0	0	5,426,377	0	5,734,237	0	0	#DIV/0!	198,601	0	5,932,838	0
Local authorities	497,980	0	0	0	0	0	497,980	0	497,980	0	0	#DIV/0!	0	0	497,980	0
Total prescribed assets	21,695,853	2	0	0	7,334,547	0	29,030,400	1	22,056,675	2	0	#DIV/0!	8,056,679	1	30,113,354	1
Other approved assets																
Debentures	13,758,221	1	0	0	7,704,270	1	21,462,491	1	14,195,197	1	0	#DIV/0!	4,347,941	1	18,543,138	1
Preference shares	2,263,317	0	0	0	0	0	2,263,317	0	2,263,317	0	0	#DIV/0!	0	0	2,263,317	0
Ordinary shares	222,685,897	17	0	0	168,741,377	41	391,427,274	20	225,702,089	17	0	#DIV/0!	159,548,742	20	385,250,831	19
Units in unit-trust schemes	18,832,085	1	0	0	300,170	0	19,132,255	1	18,855,402	1	0	#DIV/0!	467,706	0	19,323,108	1
Loans and mortgages on property (b)	6,942,319	1	0	0	4,848,989	1	11,791,308	1	6,942,319	1	0	#DIV/0!	4,851,439	1	11,793,758	1
Building societies (c)	2,800,397	0	0	0	0	0	2,800,397	0	2,800,397	0	0	#DIV/0!	0	0	2,800,397	0
Fixed property	518,525,906	40	0	0	43,286,926	9	561,812,832	29	518,525,906	40	0	#DIV/0!	92,180,798	12	610,706,704	29
Shares in and advance to, subsidiary companies	3,985,708	0	0	0	327,588,544	37	331,574,252	17	4,456,145	0	0	#DIV/0!	345,983,290	44	350,439,435	17
Assets outside Zimbabwe	136,349,779	11	0	0	0	0	136,349,779	7	136,349,779	11	0	#DIV/0!	0	0	136,349,779	7
Other assets	343,029,046	27	0	0	107,888,027	11	450,917,073	23	345,336,618	27	0	#DIV/0!	168,985,174	22	514,321,792	25
TOTAL ASSETS	1,290,868,528	100	0	0	667,692,850	100	1,958,561,378	100	1,297,483,844	100	0	#DIV/0!	784,421,769	100	2,081,905,613	100

(a) Note that the assets are shown at "cost" in this table and at book value in Annexure 4.

(b) This includes loans and mortgages made to both members and non-members.

(c) This includes cash, deposits and savings accounts.

ANNEXURE VI	INCOME AND EXPENDITURE (US\$)							
	2012				2013			
	S/Ad.Fds.		Ins. Co.		S/Ad.Fds.		Ins. Co.	
	Pens	Prov.	Sch.	Total	Pens	Prov.	Sch.	Total
Contributions	199,592,282	0	127,068,020	326,660,302	215,611,155	0	126,106,304	341,717,459
Investment incorporated	77,611,686	0	219,721	77,831,407	81,341,295	0	4,989,513	86,330,808
Other income	88,793,295	0	93,710,671	182,503,966	92,493,496	0	211,668,188	304,161,684
Total income (a)	365,997,263	0	220,998,412	586,995,675	389,445,946	0	342,764,005	732,209,951
Benefits	87,361,136	0	62,949,347	150,310,483	89,720,503	0	67,388,021	157,108,524
Other expenditure	86,046,627	0	61,398,827	147,445,454	86,879,631	0	61,090,811	147,970,442
Total expenditure (b)	173,407,763	0	124,348,174	297,755,937	176,600,134	0	128,478,832	305,078,966
Net income	192,589,500	0	96,650,238	289,239,738	212,845,812	0	214,285,173	427,130,985

(a) The figure is exclusive of balance of fund at the beginning of financial year.

(b) The figure is exclusive of balance of fund at the end of financial year.

TABLES AND ANNEXURES FOR THE PERIOD 2012-2013 - PENSIONS REPORT

TABLE I

NUMBER OF REGISTERED FUNDS

TYPE OF FUND	As at December, 2011			As at December, 2012			As at December, 2013		
	Provisionally Registered	Fully Registered	TOTAL	Provisionally Registered	Fully Registered	TOTAL	Provisionally Registered	Fully Registered	TOTAL
	Pension funds	8	1,787	1,795	9	1,809	1,818	12	1,819
Provident funds	0	56	56	0	56	56	0	0	0
Retirement annuity funds	0	15	15	0	15	15	0	0	0
TOTAL	8	1,858	1,866	9	1,880	1,889	12	1,819	1,831

TABLE II A				
CHANGES IN FUND MEMBERSHIP 2012-2012 ZIMBABWE				
	Number of members			Changes in membership
	2011	2012	2013	%
1 Number of members.....	277,227	381,873	395,787	4
2 Number of deferred pensioners....	223,433	266,537	246,935	(7)
3 Number of persons in receipt of pensions and annuities				
(i) former members.....	67,468	35,500	32,183	(9)
(ii) widows.....	13,100	16,418	18,131	10
(iii) others.....	8,130	9,935	9,695	(2)
Sub- Total.....	88,698	61,853	60,009	(3)
(iv) Number to whom lump sum-benefits are paid in cash instalments.....	59	1,133	1,366	21
(v) Total membership	589,417	711,396	704,097	(1)

TABLE II B				
CHANGES IN FUND MEMBERSHIP 2012-2013 OUTSIDE ZIMBABWE				
	Number of members			Changes in membership
	2011	2012	2013	%
1 Number of members.....	28	1,727	1,535	(11)
2 Number of deferred pensioners....	0	0	0	0
3 Number of persons in receipt of pensions and annuities				
(i) former members.....	1,603	1,404	1,414	1
(ii) widows.....	1,287	194	201	4
(iii) others.....	61	37	47	27
Sub- Total.....	2,951	1,635	1,662	2
4. Number to whom lump sum-benefits are paid in cash instalments.....	59	1,133	1,175	4
(v) Total membership	3,038	4,495	4,372	(3)

TABLE III CHANGES IN CONTRIBUTIONS 2012-2013(US\$)

Type of contributions	Amount of contributions			Changes in contributions
	2011	2012	2013	%
1 By members :				
(i) current.....	82,797,104	110,291,651	115,116,025	4
'(ii) voluntary.....	1,285,196	2,001,626	1,982,126	(1)
'(iii) arrear.....	54,594	2,701,322	93,596	(97)
Sub-Total.....	84,136,894	114,994,599	117,191,747	2
2 By employers :				
(i) normal.....	136,830,664	191,205,335	206,779,929	8
(ii) special.....	10,928,779	20,460,368	17,745,783	(13)
Sub-Total.....	147,759,443	211,665,703	224,525,712	6
GRAND TOTAL.....	231,896,337	326,660,302	341,717,459	5

TABLE IV

CHANGES IN BENEFITS 2012-2013 (US\$)

BENEFITS	Amount of benefits			Changes in contributions
	2011	2012	2013	%
'(i) Pensions.....	35,361,240	53,708,636	55,899,022	4
(ii) Lump sum awards on death.....	9,253,815	9,365,928	9,373,502	0
(iii) Lump sum awards on retirement.....	49,275,914	45,964,860	49,484,573	8
(iv) Lump sum awards on resignation/dismissal.....	33,443,726	41,271,058	42,351,426	3
TOTAL.....	127,334,695	150,310,482	157,108,524	5

TABLE V				
CHANGES IN ASSETS 2012-2013 US\$				
	2011	2012	2013	Change %
1.Government stock.....	4,776,152	17,370,860	19,157,907	10
2.Other approved holdings.....	26,034,147	34,596,289	34,828,839	1
3.Shares,debentures,unit trusts and building society shares.....	567,379,599	624,754,362	700,990,202	12
4.Loans and mortgages on property.....	18,631,338	20,728,861	20,728,861	0
5.Fixed property,shares and advances on subsidiary companies	783,705,521	998,590,175	1,063,411,626	6
6.Cash ,deposits and savings accounts.....	128,926,584	209,105,515	247,819,705	19
7.Assets outside Zimbabwe.....	110,337,104	6,415,643	18,997,063	196
8.Other investments.....	72,829,972	223,712,563	243,925,465	9
9.Other assets.....	107,553,912	135,463,332	145,711,139	8
TOTAL.....	1,820,174,329	2,270,737,600	2,495,570,807	10

TABLE VI				
LIABILITIES (US\$)				
	2011	2012	2013	Change %
Amount of fund.....	965,383,946	2,135,468,825	2,370,884,337	24
Reserves.....	95,590,744	102,621,717	102,643,068	0
Provisions.....	1,935,829	50,126,862	51,062,874	48
Sundry creditors.....	41,342,057	73,842,315	77,353,753	8
TOTAL.....	1,104,252,576	2,362,059,719	2,601,944,032	22

Figure 1: Contributions and Benefits

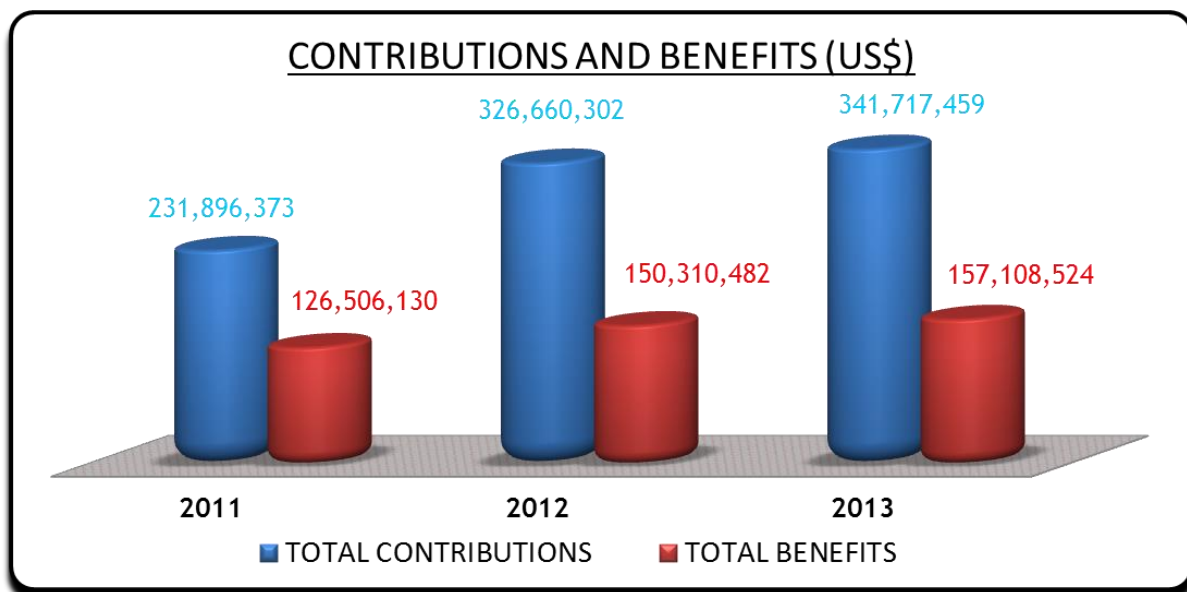


Figure 2: Growth of Assets from 2009 to 2012

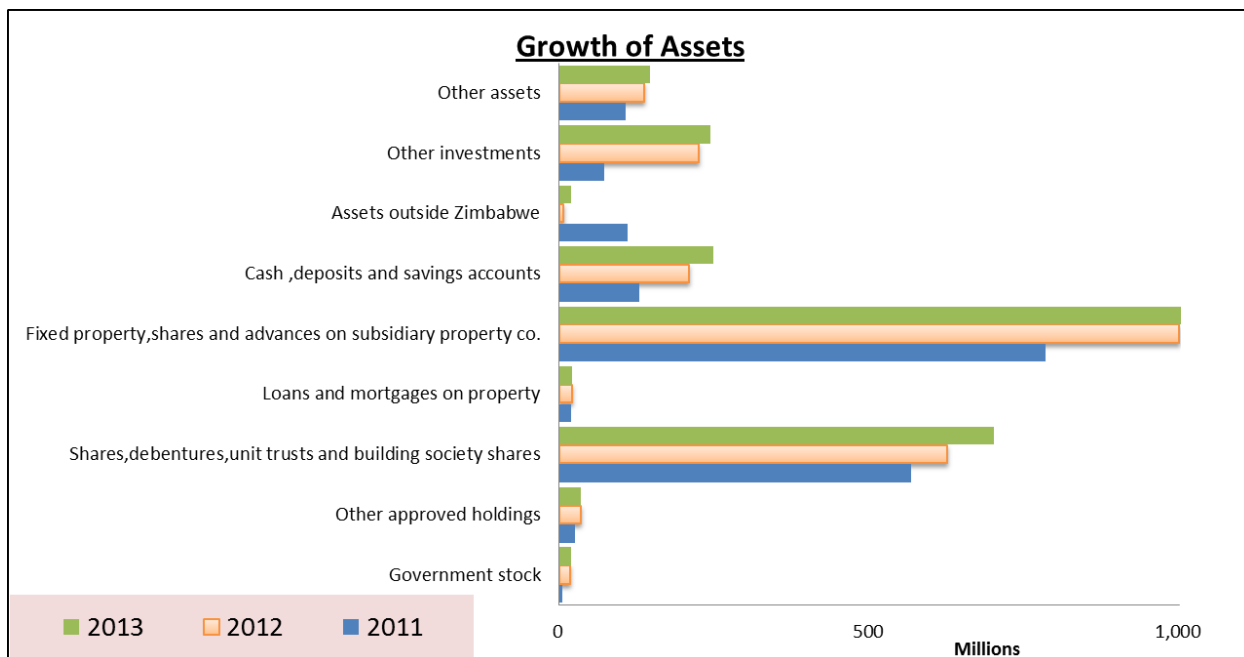


Figure 3: Asset Growth trend

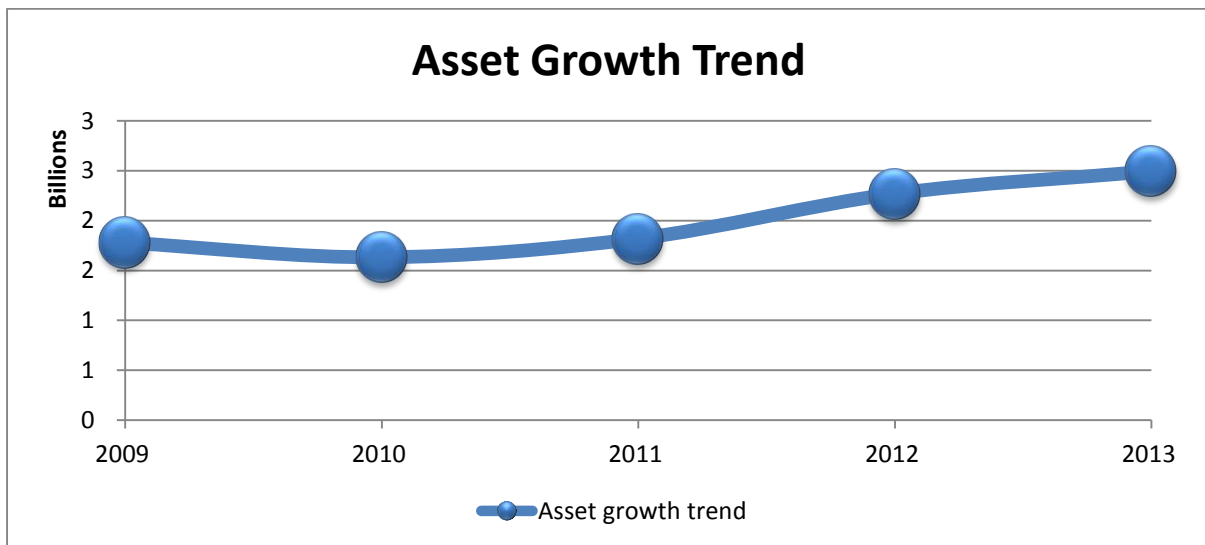


Figure 4: Analysis of Assets

