INVESTMENT POLICY STATEMENT

OF THE

ZESA STAFF PENSION FUND

SECOND EDITION

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OWNERSHIP AND CONTROL	
Reviewer	Finance, Investment and Procurement Committee
Owner	Board of Trustees
Custodian	General Manager
First Adoption and Edition	5 October 2017
Second Adoption and Edition	September 2019
Next review date	November 2020
Policy Implementer	General Manager

Document Version Control

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Reviewed By	Compliance Officer	24 July 2019
Policy introduced, discussed and recommended for consideration, by the Finance, Investment and Procurement Committee	Management Committee	14 August 2019
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Chairperson – Finance Investment and Procurement Committee	Recommendation:	27/09/2019
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Chairperson – Board	Approval:	25/4/2019
Annual Review of, and / or Amendments to, the Policy document	General Manager	27/9/19

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1. Introduction

1.1. The ZESA Staff Pension Fund ("the Fund") is a defined benefit plan which was established as a Self-Administered Fund with effect from 24 January 1986.

1.2. The Fund was established to provide benefits to permanent staff of the Zimbabwe Electricity Supply Authority ("the Employer").

1.3. This Investment Policy Statement sets out the principles, beliefs and policies adopted by the Trustees of the Fund in establishing an appropriate investment policy for the Fund, as well as to record the investment strategy that the Fund has decided to implement, in accordance with this policy.

1.4. The Trustees' objective in drafting this document was to: -

i. Document the Fund's investment policy and summarise the investment strategy established in accordance with this policy.
ii. Clearly set out the decision-making responsibilities relating to the Fund's assets.
iii. Provide a framework for the effective implementation and review of all components of the investment strategy.
iv. Assist stakeholders, including the Trustees themselves, in understanding the investment policy and strategies of the Fund, to be able to communicate a summarised version of this investment policy to all stakeholders.
v. Provide a mechanism to ensure continuity of decision making across generations of Trustees.

1.5. This Investment Policy Document will be updated at least annually. All material changes and updates will be captured in this Policy Document.

2. Governance Principles

2.1 Good standards of governance should ensure that the Fund's investments are managed appropriately and will collectively reduce the risk of material failure of an investment strategy. Governance principles hence define the framework of an investment policy.

Legislation

2.2 The Fund is governed by the Pension and Provident Funds Act [Chapter 24:09] and the Pension and Provident Funds Regulations, 1991.

2.3 The Trustees have also taken note of Circular No. 1 of 2013 issued by the Insurance and Pensions Commission (IPEC). Circular No. 1 of 2013 sets out investment guidelines for Life Companies and Self-Administered Pension Funds.

2.4 The Fund is also governed by its Rules, which set out the benefits in detail and specify the Trustee's investment powers.

2.5 The Trustees are ultimately responsible for the governance and investment of the Fund's assets but, in accordance with the Fund's Rules, may delegate certain decisions to appropriate committees, investment advisors and Investment Managers.

Liabilities

2.6 The Trustees recognise the importance of the Fund's liabilities in designing an investment strategy i.e. the considerations of the interactions between the assets and the liabilities with respect to nature (whether fixed interest or index-linked), term (from short-term, to long-term), currency, and certainty (with respect to timing and amount of receipts and payments).

Due diligence

2.7 Before making a contractual commitment to invest in a third party managed asset or investing in an asset, the Trustees will perform reasonable due diligence taking into account risks relevant to the investment including, but not limited to, credit, market and liquidity risks, as well as operational risk for assets not listed on an exchange;"

Conflicts of interest

2.8 The Trustees will be expected to disclose where a Trustee has a conflict of interest, and refrain from participating in any related decision. The Trustees will also require all service providers to highlight any areas of conflict of interest in their operations, as far as it relates to the Fund.

Expert advice

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2.9 The Trustees recognise that they do not have all the expert skills necessary. The Trustees shall engage professional accounting, actuarial, investment, legal and other experts, and pay the professionals involved appropriately for that advice.

2.10 In preparing and revising the IPS, the Trustees have considered advice from the Fund's actuaries, who are qualified to provide this advice by practical experience of financial matters. The Trustees will also take advice required for any future changes in investment strategy.

2.11 The day-to-day management of the Fund's assets is performed by professional Investment Managers, who are authorised and regulated by the Securities and Exchange Commission of Zimbabwe. The Trustees are satisfied that the appointed Investment Managers have sufficient expertise and experience to carry out their role. The appointment, monitoring and dismissal of fund managers is the responsibility of the Trustees. They are also responsible for monitoring in-house managed assets.

Custodian

2.12 A custodian will be appointed by the Fund, independent of the investment managers, to hold the physical assets of the Fund.

Proxy voting

2.13 Delegation - The Board of Trustees entrusts to its investment managers the responsibility to vote, in accordance with this guidance, proxies related to securities held by the managers in portfolios they manage on behalf of the Fund. The General Manager shall vote on behalf of the Fund on all in-house managed assets.

2.14 Objective – Investment managers are to vote proxies in the best interests of the Fund's members who are the true shareholders of its underlying assets. Investment managers are to vote proxies to maximize the value to shareholders of share ownership.

2.15 The asset managers' proxy voting policies will be considered when appointing investment managers, or when selecting to invest in their pooled investment portfolios.

Socially Responsible Investing

2.16 The Trustees acknowledge that environmental, social and governance issues are important and are a source of long-term growth and sustainable investment returns.

2.17 The Trustees place a high degree of importance on responsible investing, subject to its overriding fiduciary responsibilities to members.

3. Duties and Roles of Parties Involved with Fund's Investments

3.1 The Trustees.

- are ultimately responsible for the Fund's assets, the investment of those assets and the assets' investment performance.
- cannot relinquish or cede these responsibilities but are however, permitted to delegate certain of the actions and activities related to the management of the Fund's assets.
- monitor the performance of investments and ensure that funds are invested in accordance with Fund policies.
- study, recommend and implement policy and operational procedures that will enhance the investment program.
- ensure that proper internal controls are developed to safeguard the assets of the Fund.

3.2 Actuary/ Investment advisors.

In some cases, the Trustees will not be fully conversant with the complexity of investment matters. In this situation, the Trustees shall obtain expert advice from investment consultants and the actuary. The Trustees will critically evaluate this advice before making any decision.

3.3 Investment manager(s).

For the purposes of this document, an investment manager is a person or institution authorised and regulated by the Securities and Exchange Commission of Zimbabwe to whom the fiduciaries delegate responsibility for investing and managing Fund assets in accordance with this investment policy statement and applicable law in Zimbabwe.

3.4 The roles and responsibilities of the different parties involved in establishing an investment policy and implementing the investment strategy can be summarised as follows:

Trustees	• Establish an appropriate Investment Policy Document with assistance of specialists where necessary. • Design a Fund-specific Investment Strategy with the assistance of specialists where necessary. • Review the Investment Policy annually and amend as appropriate. • Make adjustments to the Investment Strategy when necessary and ensure adherence to the policy and achievement of investment objectives. • Oversee the implementation of investment decisions. • Monitor performance of the Investment Strategy on a regular basis and provide feedback to the Trustees. • Prudently diversify the Fund's assets to meet an agreed upon risk/return. • Avoid prohibited transactions and conflicts of interest

	• Utilise the services of an investment advisor as and when they deem necessary
Actuary	• Certify that the Investment Policy is appropriate considering the liabilities of the Fund, and that the chosen investment strategy will result in an appropriate relationship between the assets and the liabilities of the Fund.
Investment Managers	• Construct and manage investment portfolio within legislative requirements and in the best interests of the Fund. • Achieve the investment return objectives set by the Trustees, relative to appropriate investment benchmarks. • Adhere to the investment mandate agreed with the Trustees.
Custodian	• Keep securities and other instruments belonging to the Fund in safe custody. • Value the holdings • Collect all income and dividends owed to the Fund • Settle all transactions • Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value each security and the overall Fund since the previous report • Maintain separate accounts by legal registration

4. Liabilities of the Fund

4.1 When deciding on appropriate investments to match the Fund's liabilities, the liabilities need to be analysed both by nature and term. Before analysing the liabilities, it is appropriate to summarise the main characteristics of the Fund.

Characteristics of the Fund

4.2 All the members of the Fund were given the option to freeze their service and stop remitting own contributions from January 2004 to December 2011. As a result, the Fund was closed to future service accrual as at 31 December 2011.

4.3 The main features of the Fund's liabilities are:

i. The Fund is a Defined Benefit which provides its active members with death, ill-health, retirement and withdrawal benefits in terms of the rules of the Fund.

ii. Benefits on retirement, death, and ill-health are defined in relation to pensionable emoluments and service. For members who retire at pensionable age, an annual pension of 1/616th of the member's Average Pensionable Emoluments for each month of Pensionable Service. Normally, one-third of the pension may be commuted for a lump sum. The withdrawal benefit is defined in relation to contributions paid by the member.

iii. Pensions are paid from the Fund. Pension increases may be awarded at the Trustees' discretion, with the agreement of the Employer and subject to approval of the Commissioner of IPEC.

iv. Contributions are paid in advance to meet estimated cost of benefits. The Fund is closed to future service accrual; therefore, the Employees are not required to pay any contributions. The employer is required to pay contributions to service the actuarial deficit at any time. The level of contributions paid, are normally determined by a number of factors such as:

   - Scheme assets at any time
   - The composition of scheme membership
   - Changing salary levels for scheme members
   - Changing mortality rates and their impact on the cost of providing benefits
   - Investment returns on scheme assets
   - Changing regulatory requirements

v. In the latest actuarial valuation carried out as at 31 December 2015, the Employer was recommended to:

   - Fund the pensioners payroll, and
   - Pay an additional contribution rate of 9% of pensionable salaries.

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vi. The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation via salary increases, to interest rates and to mortality rates, among others.

Liability Profile

The Liability of pensioners is currently not critical because the Employer is currently honouring the commitment to finance the pensioners' payroll

The liabilities in respect of members with frozen can be separated into two groups based on how they react to inflation. Inflation is here taken to mean either Consumer Price Inflation or inflation-related salary increases.

Liabilities which do not increase with inflation are best backed by assets which have known income payments and maturity values e.g. cash and fixed interest securities.

Examples of the Fund's liabilities stated above are:

• The present value of Frozen Active Members' accrued service pension with no provision for future salary increases to Date of Retirement; and

• The liability in respect of Frozen Active Members whose benefits are to be paid in the near future on Retirement, Ill-Health, Death or Withdrawal.

It is estimated that about 20% of the Frozen Actives' liabilities fall in this category.

The balance of the Fund's liabilities, that increase with inflation and are not guaranteed, are best matched by growth assets e.g. equities and property. Examples of these liabilities are:

• The liability in respect of Active Members reflecting the long-term provision of salary- related Retirement Benefits; and

• The liability in respect of pension increases of the Active Members' accrued pension rights;

The Fund can therefore maximise its long-term return, subject to minimising the risk of not being able to meet its liabilities by investing 20% to 30% of its assets in interest-bearing securities and cash, with the balance of 70% to 80% invested in growth assets.

A summary of the asset allocation per asset class is shown in Section 7 to this document.

5. Investment Objectives

5.1 The primary investment objective of the Board of Trustees is to have sufficient funds to pay the benefits promised in the Rules of the Fund as they fall due.

5.2 To achieve this objective, the Trustees will set its investment policy so as to;

- maximise the returns from investments within reasonable risk parameters.
- target a funding level of 100%
- enable the employer contribution rates to be kept as stable as possible and at reasonable cost to the employer

5.3 The assets of the Fund shall be diversified to minimize the risk of large losses within any one asset class, investment type, industry or sector distributions, maturity date, or geographic location, which could seriously impair the Fund's ability to achieve its funding and long-term investment objectives.

5.1 The assets of the Fund shall maintain adequate liquidity to meet required benefit payments to the Fund's beneficiaries. The Fund currently and for the foreseeable future has minimal liquidity requirements.

5.2 The Fund's assets shall be invested consistent with the Fund's long-term investment horizon.

6. Investment Risks

Investment

6.1 In arriving at their investment strategy, the Trustees have considered the following specific risks:

Type of Risk	Impact	Mitigation Measures
Market Risk	The market value of some investments can vary considerably. The risk is the potential need to sell assets when market values are low. Falls in market values may also contribute to long-term investment underperformance Properties are more exposed to capital value volatility risk. Properties currently constitute 73% of the total assets implying that a quick sale discount of say about 20% will reduce the Fund level by 2.5%	• Follow the IPS • Annual review of the IPS
Liquidity	Liquidity risk involves not having liquid assets to meet liabilities as they fall due or being unable to realise assets on a reasonable basis when cash is required. However, currently there is low risk on assets used to settle the monthly pension payroll and about 80% of the commutation values payable on retirement since the Employer is committed to meet the cost	This risk is reduced by investment in liquid assets and highly tradable assets, or in pooled investment portfolios. Encourage the Employer to remit contributions to the Fund in time.

Reinvestment	Reinvestment risk is the risk that the proceeds from the payment of principal and interest, may have to be reinvested at a lower rate than the original investment. Lack of reinvestment gains on assets being received from the Employer to meet payment commitment on pension payroll and retirement lumpsum benefits	This risk is reduced by investment in longer-term assets and assets where the timing of income matches the timing of the benefit outgo.
Mismatching	The value of the assets can be volatile relative to the value placed on the liabilities. This can arise where the assets held are different in nature to those on which the liability valuation basis is based. The asset mix appropriate for pensioner liability is matched by the pay as you go system arrangement between the Employer and the Fund provided that there is no lag in transfer of Funds.	This is addressed through the regular actuarial and investment reviews. Care must be exercised in choosing an appropriate asset mix for members with frozen service.
Employer risk	Is measured by the level of ability and willingness of the Employer to support the continuation of the Plan and to make good any current or future deficit The Employer risk is relatively low at the moment since the Employer had demonstrated commitment to continue paying contributions	It is managed by assessing the interaction between the Plan and the Employer's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the Employer
Investment operational risk	This is the risk of loss resulting from inadequate or failed internal processes, people or systems and external	The Board manages these risks by ensuring processes and procedures are robust, documented and operated by trained

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	events. This includes risk arising from the custody or transfer of assets	individuals. The custodian is subject to ongoing review.
Manager risk	The risk that the chosen investment manager underperforms • the benchmark against which the investment manager is assessed and/or • under-performs its peers, resulting in poor peer relative returns	Manager specific risk is reduced by • investing across a range of managers and • performing quarterly investment managers performance reviews
Expense risk	The risk that investment expenses are higher than expected or set aside.	There is need to contain expenses within set levels to manage their impact on the value of the Fund.

6.2 Inflation Risk

This is the risk of nominal returns falling below the rate of inflation, hence a loss in the real value of assets. This risk will be reduced by investing in assets that hedge against inflation, that is, real assets such as equities or properties. The returns benchmarks will be used to measure the severity of the risk.

6.3 Credit risk/Counterparty Risk

The risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. The Trustees believe this to be an important risk and will require disclosure of limits in terms of credit exposure applied by all the Fund's asset managers and Fund Management.

a) Counterparty risk management

i. Investing in Financial Institutions (Banks)

a. The Fund Trustees believe that counterparty banks need to be rated and categorized into two tiers.

Tier 1 banks are financially good rated banks and Tier 2 banks, are second rated banks from a financial strength perspective using a performance matrix. The ratios of money market investments in tier 1 banks and tier 2 banks will be **5:3**.

The Fund will therefore develop a credit rating matrix and the banks will be reviewed half yearly looking into their attributes as per the rating matrix. Refer to **Appendix III** for the Tier 1 and Tier 2 banks. Total investments in money markets will be **62.5%** tier 1 and **37.5%** tier 2 respectively.

b. Total money markets investments will be a maximum of 10%.

c. Investment in a single bank under tier 1 should be a maximum of **3%** of total Fund and investment in a single bank under tier 2 should be a maximum of **1.125%** of the total fund.

d. Investing in a holding company/ sponsoring employer

The Fund will invest not more than 10% of total assets in the holding company or a related company that is where its membership is drawn from.

6.4 Capital Preservation

Capital Preservation is the protection and preservation of the Fund's portfolio assets against loss in real value. To achieve Capital Protection, the Fund Board of Trustees is expected to develop appropriate asset allocation and portfolio composition to consistently achieve and maintain long term real investment returns. Note that this is also used as a performance measurement.

6.5 Default Risk

The risk of default on assets is greater where there is a concentration of investments with counter party or bank. The Fund will therefore strive to protect the investments through regular assessment of counter parties and reducing concentration per single counter.

Managing default risk

a) Diversification

The Fund will ensure that the investment strategy selected has a suitably diversified set of underlying assets. The choice of assets will allow for the different risk tolerance levels of members. The Fund will further ensure that the Fund's assets are managed in accordance with

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the Pension and Provident Fund Act as well as investment guidelines as issued by the Insurance Pension Commission (IPEC) from time to time.

Limit of exposure per counter

- **i.** The Fund shall not have more than 10% shareholding in a single company.
- **ii.** The Investment Manager shall not invest more than 15% of the Fund values into a single counter.

b) Assets quality

Further protection will be achieved by requiring the vehicles in which Assets are held to be financially sound and compliant with all relevant regulatory and solvency requirements as stipulated by the Commissioner. The asset manager shall report on the quality of the investment quarterly. The report shall encompass the financial soundness of the company, compliance of the company to the regulations, corporate governance issues and management of the Company.

6.6 These measures do not render the investment policy free of risk. Rather, the measures endeavour to balance the need for risk management and the need to allow the Investment Managers sufficient flexibility to manage the assets in such a way as to achieve the required performance target.

6.7 The Trustee will continue to monitor and assess these risks and any other risks that may arise on an ongoing basis.

7. Investment Strategy

Strategic Asset Allocation

7.1 The strategic asset allocation of the Fund will be comprised of an asset portfolio that closely matches the liability and risk appetite of the Trustee and Employer.

7.2 The strategic asset allocation of the Plan is driven by the financial characteristics of the Plan which include:

- the duration of the liabilities
- the sensitivity of the value of the liabilities to future inflation
- the policy in relation to discretionary increases to pensions in payment.

7.3 The overall benchmark and asset ranges specified are designed to ensure that the Plan's investments are adequately diversified and suitable for the Plan given the liability profile. In this regard, the Trustees have consulted with the Employer and taken written advice from the Plan Actuary and the Investment Consultant.

Tactical Asset Allocation

7.4 Tactical Asset Allocation (TAA) is a portfolio management technique whereby the asset allocation is moved intentionally away from the strategic allocation. This may occur where the Trustees take a view that in the short-term such an allocation can improve the return of the Fund.

7.5 However, it is possible that these positions may make losses, or may (because of their scale) distort the strategy of the Fund. The Trustees mitigate this risk by providing the investment managers with ranges around the strategic allocation and has therefore provided freedom for the Fund to implement an active TAA policy within these ranges.

The strategic asset allocation of the Fund, including the tolerance levels are set out in the following table: -

Asset Class	Allocation at 31.12.2018	Strategic Allocation	Tolerance Range	IPEC upper limit
Listed Equities	45.07%	20%	20% - 30%	50%
Fixed Property	34.90%	50%	30% - 50%	50%
Bonds	11.46%	20%	20%- 25%	40%
Cash/ Money Market	8.57%	10%	10%- 15%	*10%*
Total	**100%**	**100%**		**100%**

7.6 The Trustees will review the Fund's overall investment strategy from time to time, but at least annually. In addition to this, the Trustees will review the strategy whenever there is a material change to the Fund. A material change would be either:

- A significant change in the membership of the Fund or
- A significant change in the benefit structure of the Fund or
- A significant change in the value of an asset that is considered to inhibit the implementation of the investment strategy or give the Fund access to previously unachievable opportunities or
- A material change in taxation treatment of the Fund, or
- A significant change in the investment environment.

Investment constraints

7.7 **Prohibited investments** include, but are not limited to the following:

- Futures Contracts
- Options
- Offshore investments

7.8 **Prohibited transactions** include, but are not limited to, the following:

- Short-Selling
- Margin Transactions

7.9 Money market transactions will be limited to counterparties approved by the Trustees. The Trustees will maintain a schedule of **approved counterparties for money market investments** which will also be used for performance benchmarking.

8. Selection and Termination of Investment Manager Contractor

The selection of Investment Managers for the Fund is a primary responsibility of the Trustees. The considerations and guidelines employed in fulfilling this fiduciary responsibility are set out below.

8.1 Minimum criteria

Each Investment Manager must meet the following minimum criteria:

8.1.1 It must be a registered Bank, Insurance Company, Investment Company or an authorized Investment Adviser.

8.1.2 It should be in good standing with the Regulators and clients, with no material pending or concluded legal actions.

8.1.3 It should, from time to time, provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.

8.1.4 It must have good governance and compliance procedures in place.

8.1.5 It must have a proven track record.

8.2 General Conditions

Assuming the minimum criteria (stipulated above) is met, the strategy selected by the Trustees should meet the following standards:

8.2.1 Performance should be equal to or greater than the risk-appropriate benchmarks over a specified time period.

8.2.2 Adherences to Investment Discipline – Investment Managers are expected to adhere to the investment management styles for which they were contracted. Investment Managers will be evaluated regularly for adherence to investment discipline, particularly as these relate to the risk profile of the chosen strategy.

8.2.3 Fees should be reasonable compared to similar investments.

8.2.4 The Investment Manager should be able to provide all information regarding performance and asset holdings.

8.2.5 Any use of derivatives by the Investment Manager is to be authorized and approved by the Trustees.

The Trustees' selection of Investment Managers shall be based on prudent due diligence procedures. A qualifying Investment Manager should be a registered investment advisor. The Trustees require that each Investment Manager provides, in writing, acknowledgement of fiduciary responsibility to the Fund and receipt of the Investment Policy Statement, its objectives and guidelines.

8.3 Investment Manager Termination

This section covers the termination of an Investment Manager's contract by the Fund.

8.3.1 Grounds for Termination

An Investment Manager's appointment should be terminated forthwith by the Trustees when the manager has failed to carry out either of the following:

8.3.1.1 Achieve the minimum criteria set out in Section 5.1;

8.3.1.2 Achieve performance and risk objectives consistently on an ongoing basis;

8.3.1.3 Comply with investment guidelines;

8.3.1.4 Comply with legislation or regulations;

8.3.1.5 Comply with reporting requirements;

8.3.1.6 Maintain a stable organization and retain key relevant investment professionals; or,

8.3.1.7 Instill in the Trustees the confidence that they have the ability to, inter-alia, comply with and/or perform as anticipated in this Investment Policy Statement.

8.3.2 Process for Termination

The Investment Manager's contract shall be terminated using one of the following approaches:

- Remove and replace (map assets) with an alternative manager;
- Freeze the assets managed by the terminated manager and direct new assets to a replacement manager;
- Phase out the manager over a specific time period; or,
- Continue with the manager but add a competing manager.

9. Portfolio Benchmarks, Performance Reviews & Management Fees

Portfolio Benchmarks

9.1 Each Investment Manager or portfolio of investments requires monitoring on a regular basis to ensure that:

- the mandate is adhered to;
- the investments are adding value relative to appropriate benchmarks.

9.2 Where index benchmarks are applied, they are selected based on professional advice, and practical issues associated with their application are discussed with investment managers.

9.3 The Trustees recognise the difficulty in selecting appropriate benchmarks in an environment with very limited representative indices. The benchmarks against which each asset class will be monitored are set out below. The Trustees are satisfied that these are appropriate benchmarks.

Asset Class	Return above Benchmark	Return Above Peers
Money Market	Treasury Bill rate	0.25-0.5%
Bonds	Government Bonds rate	1-2%
Equities	1-2% above ZSE	1-2%
Property	1-2% Above market average or Index of Property listed firms	1-2%

- The return from unquoted equities will be expected to be 2-3% above that of ZSE to match the risk associated with this investment vehicle.
- The investment performance should be monitored over the following rolling periods per each risk profile;

Risk Profile	Rolling Period
Money Market	12 Month Period
Bonds	36 Month Period
Property & Equity	36 Month Period

Performance Reviews

9.4 The performance of each investment portfolio will be monitored regularly against the appropriate benchmark over a range of periods. The main focus will be on performance over a rolling three-year period. A performance review will be conducted quarterly. Independent consultants will be employed by the Fund to consolidate this reporting on behalf of the Fund.

9.5 Where an investment portfolio underperforms the benchmark for extended periods, the Trustees will seek to understand what caused this underperformance and determine whether they are satisfied that the portfolio continues to meet the Fund's investment objectives. Where the Trustees are not satisfied that the portfolio continues to meet the Fund's investment objectives, the Trustees must seek to replace the investment portfolio with an alternative that can be expected to achieve these objectives.

Investment Management fees (for any external Investment Managers appointed)

9.6 The Trustees will pay such fees and expenses as are negotiated with Investment Managers on the portfolio of investments with the Fund.

9.7 The Investment Managers fees for Equities portfolio shall be charged at an agreed flat fee rate as per the Investment Agreement with the Investment Managers.

10. Communication to Stakeholders

10.1 The Trustees will ensure that the investment strategy is communicated to members. This communication will include:

a) A brief summary of governance principles, including who makes which investment decision;

b) A brief summary of the overall objectives of the Fund;

c) A description of the investment objectives of the Fund;

d) A summary of the characteristics of the investment portfolio;

e) Regular feedback on the performance of the portfolio

11. Cash Flow Investment

11.1 Investment / Disinvestment

The following investment/disinvestment principles will be followed:

Investment:

The monthly net positive cash flow for investments will be invested in accordance with the chosen investment strategy.

Disinvestment:

Disinvestments will take place in proportion to the relevant investment strategy. Measures should be taken to ensure that the Fund is sufficiently liquid at any point in time.

12. Conclusion

This document has been prepared to record the issues considered by the Trustees of the ZESA Staff Pension Fund in establishing an appropriate investment policy for the Fund, as well as to record the Investment Strategy that the Fund has decided to implement, in accordance with this policy.

This policy was developed by the Trustees in consultation with professional advisors and the Fund's actuary.

The investment strategy was designed by the professional advisors, in consultation with the actuary where appropriate, and accepted by the Trustees.

Signed

Committee Chairperson	27/09/2019 **Date**
Chairperson of the Trustees	25/11/2019 **Date**

APPENDIX I - Circular No. 1 of 2013

20 March 2013

Circular No. 1 of 2013

Life Offices Association of Zimbabwe (LOA)
Zimbabwe Association of Pension Funds (ZAPF)
Zimbabwe Association of Funeral Assurers (ZAFA)
Self-Administered Funds
Fund Administrators

INVESTMENT GUIDELINES FOR LIFE COMPANIES AND SELF-ADMINISTERED FUNDS

1. Following recent consultations with the market, the below listed guidelines are applicable with immediate effect.

   Cognisant of the need for adjustments in some of the investment portfolios, the Insurance and Pensions Commission (IPEC) expects full compliance by 1st April 2016. However, IPEC will, on an ongoing basis monitor progress towards full compliance.

2. Levels of Compliance with guidelines

	TYPE OF INVESTMENT	UPPER LIMIT (%)
a)	Prescribed Assets	40%
b)	Properties	50%
c)	Quoted Shares	50%
d)	Unquoted shares	10%
e)	Money Market	45%
f)	Cash	10%
g)	Other	10%

Notes

i. Properties include buildings and land (developed or not developed). There must be title deeds to these properties. For the purposes of calculating solvency margin any properties without title deeds should not be included as assets.

ii. Quoted shares are shares that are tradable on the Zimbabwe Stock Exchange (ZSE).

iii. Prescribed Assets are bonds/securities, issued by central government, local government, quasi-government organisations or any other bonds/securities that may be accorded prescribed assets status by the Minister from time to time. (See definitions given in the Insurance Act {Chapter 24:07} and the Pensions and Provident Funds Act {Chapter 24:09})

iv. Unquoted shares are shares in private companies.

v. The cash in any one bank should not exceed 5% of total investments.

vi. (b)+(c) should not exceed 70%.

vii. An insurer should not put more than 10% of its investments in an associate company.

viii. A pension fund should not invest or lend more than 10% to the employer.

ix. Other investments include loans to staff, management, shareholders and directors. It also includes investment in a property rented by the company or any other investment dependant on the property of the company.

x. No more than 10% of a fund should be invested with a single bank.

xi. No more that 10% of a fund should be invested in a single listed equity counter.

3. Should you require any further clarification, please contact IPEC.

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M. S. Mpofu

COMMISSIONER OF INSURANCE, PENSION AND PROVIDENT FUNDS

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APPENDIX II – Current Advisors & Service Providers

Administrator

Fund Management of The Zimbabwe Electricity Industry Pension Fund

Actuary

Quantum Consultants & Actuaries

Investment Manager

Imara Asset Managers

Custodian

CBZ Custodial Services

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APPENDIX III: Tier 1 & Tier 2 Financial Institutions as at 31 December 2018

TIER 1 BANKS	***62.5% of Money Market Funds***
INSTITUTION	
BancABC	
First Capital Bank	
CABS	
CBZ Bank	
Ecobank	
FBC B/Society	
FBC Bank	
Stanbic	

TIER 2 BANKS	***37.5% of Money Market Funds***
INSTITUTION	
Agribank	
IDBZ	
MBCA	
NBS	
NMB	
POSB	
ZB Bank	