



ZIMBABWE ELECTRICITY INDUSTRY PENSION FUND

Actuarial Valuation as at 31 December 2023

Prepared By

David Mureriwa FASSA, FFA (*In my capacity as Fund Actuary*)

For and on behalf of



25 March 2024
STRICTLY CONFIDENTIAL

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1. EXECUTIVE SUMMARY

Background

- 1.1. We have carried out an **Actuarial Valuation of the Zimbabwe Electricity Industry Pension Fund ('the Fund')** as at **31 December 2023** in line with your instructions.
- 1.2. The previous review was carried out as at 31 December 2022 by MAOS. The results of the exercise revealed that the Fund was financially sound with a surplus of **ZWL\$27 326 111 111** split between Sub Fund A and B as **ZWL\$15 593 589 615** and **ZWL\$11 732 521 496** before recommendations, due to positive returns earned on assets held.
- 1.3. We recommended that Board members award the following bonuses to maintain financial soundness at the review date. We have been advised that these were adopted and implemented by the Board members.

	Bonus	Comments
Sub Fund A	257,0%	Cumulative
Sub Fund B	197,0%	Cumulative
Pension increase	54,1%	Additional
Pension reserve inc	257,0%	Cumulative
Preserved	257,0%	Cumulative

Table 1: Recommended bonuses as at 31 Dec 2022

- 1.4. IPEC issued guidelines to notionally split the Fund between pre 2019 and post 2019 to avoid intergenerational transfer of returns. We have maintained the same approach at this valuation.
- 1.5. The Fund now has **Sub Fund C** which relates to Accumulated Credits in respect of all contributions made from May 2023 in **foreign currency (US\$)**.

The Economy

- 1.6. Over the review period, the exchange rate increased and rose from USD: ZWL\$671,7226 in January 2023 to 6 104,7226 in December 2023, thus registering a depreciation of 809,19% in the currency over the period.
- 1.7. The All-Share Index stood at 24 782.89 at the beginning of the year and at 210 833,92 at the end of the year registering a 750,72% growth in the Zimbabwean Stock Market.

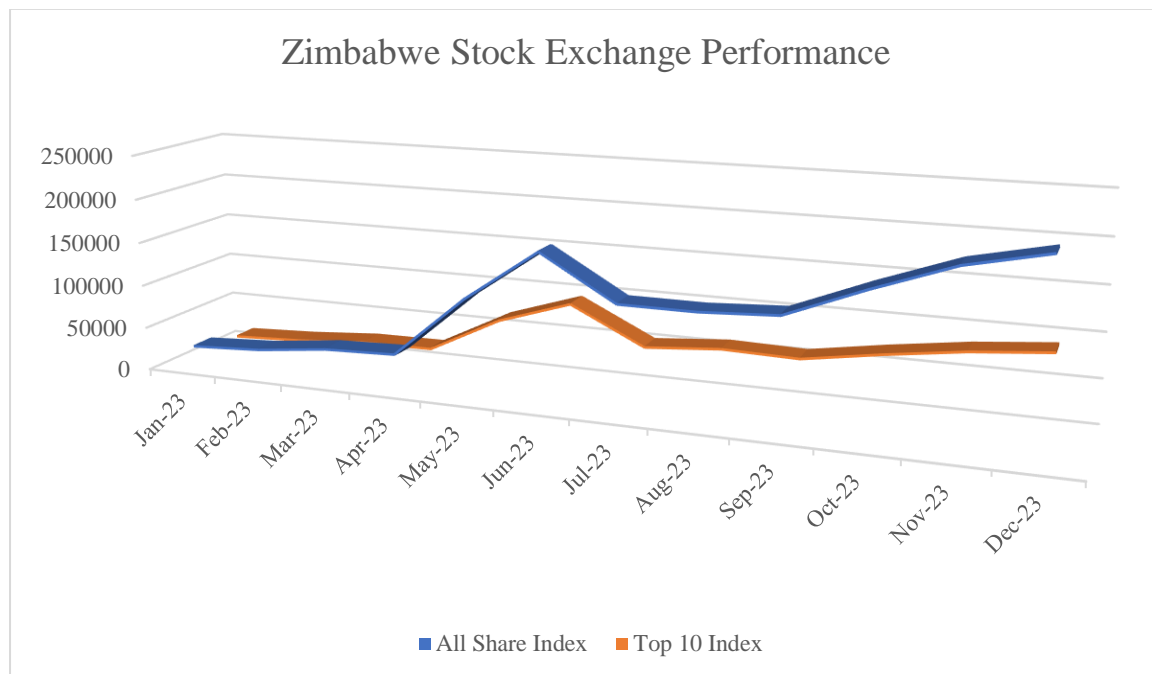


Figure 1 :ZSE Performance

- 1.8. The Fund earned an overall return of **580,87%** over the review period, which is consistent with market returns.
- 1.9. Had the assets been invested as per the recommend mix in the Investment Policy Statement, the Fund would have earned a return of at least **536%** Therefore, the Fund performance was consistent with all the benchmarks.
- 1.10. However, it must be noted that since the Fund's investment returns of **580,87%** are below the depreciation of the local currency of **809,19%**. Therefore, members of the Fund have lost almost **33,53%** of the real value of their investments over the review period.

Financial Position

1.11. The total assets of the Fund as per the Financials Statement provided amounted to **ZWL\$515 330 110 875** as at 31 December 2023.

1.12. The net assets backing liabilities after deducting non-pension related liabilities, are **ZWL\$512 338 759 972** split as follows;

- **ZWL\$210 867 178 964** in Sub Fund A
- **ZWL\$267 593 135 537** in Sub Fund B
- **ZWL\$30 478 865 220** in Sub Fund C and
- **ZWL\$3 399 580 252** in the Stabilization Account.

1.13. Based on the average assets held over the period from 1 January 2023 to 31 December 2023, and the total net investment income of the Fund the return earned on the assets amounted to an average of:

	Return
Sub Fund A	909,40%
Sub Fund B	482,64%
Sub Fund C	43,61%
Overall	580,87%

Table 2: Return earned by Fund FY2023

1.14. However, despite the growth in Sub Fund B's (1 073%) assets over the review period, the returns were depressed due to non-payment of contributions.

1.15. The total liabilities before bonus allocation as at this review date amounts to **ZWL\$128 422 432 609** split amongst Sub Fund A, B and C as **ZWL\$20 923 540 311**, **ZWL\$78 897 466 833** and **ZWL\$25 201 845 213** respectively. There is also an additional amount of **ZWL\$3 399 580 252** in the Stabilization Account.

1.16. The results show an excess of assets over liabilities of **ZWL\$383 916 327 364** split amongst Sub Fund A, B, and C as **ZWL\$189 943 638 653**, **ZWL\$188 695 668 704** and **ZWL\$5 277 020 007** respectively.

1.17. This surplus translates to a Funding Level (Assets over Liabilities) of **399%** split **1 008%**, **339%**, **121%** in Sub Fund A, B and C respectively.

1.18. This Funding Level shows that the Fund and Sub Funds are financially sound as at 31 December 2023.

Bonus declarations

1.19. In determining the bonus to declare as at 31 December 2023 we have taken into consideration that pensioners have already been awarded the following pension increases over the year 2023.

- a. ZWL Lumpsum payment equivalent to the ZWL current pension guaranteed for the three-month period July to September 2023.
- b. USD Lumpsum equivalent to the ZWL monthly pension and rounded up to the nearest multiple of USD 10 guaranteed up until 31 December 2023, subject to the following minimums:
 - i. USD 30 for principal pensioners,
 - ii. USD 20 for spouse beneficiaries, and
 - iii. USD 10 for child beneficiaries.
- c. The table below shows the pension increases awarded over the period:

Effective date	Pension Inc awarded
31-Jan-23	7%
28-Feb-23	4%
31-Mar-23	82%
30-Apr-23	8%
31-May-23	38%
30-Jun-23	66%
31-Jul-23	0%
31-Aug-23	0%
30-Sep-23	0%
Cumulative	429%

Table 3: Pension increases FY2023

1.20. The following bonuses were awarded to exiting members over the period.

Bonuses		
Month	Sub Fund 1	Sub Fund 2
31-Jan-23	7,4%	7,3%
28-Feb-23	5,9%	6,0%
31-Mar-23	79,2%	38,6%
30-Apr-23	8,2%	5,4%
31-May-23	37,8%	22,2%
30-June-23	233,8%	123,0%
31 July-23	-5,3%	-16,4%
31-Aug-23	0,6%	1,8%
30-Sep-23	5,4%	-2,3%

Table 4: Interim Bonuses awarded FY2023

1.21. Based on the investment returns earned and the bonuses already credited, and considerations stated above, we recommend that Board members award the following cumulative bonuses over the review period:

	Bonus	Comments
Sub Fund A	841,00%	Cumulative
Sub Fund B	482,64%	Cumulative
Sub Fund C	43,61%	Cumulative
Pension increase	77,73%	Additional
Pension reserve inc	841,00%	Cumulative
Preserved	841,00%	Cumulative

Table 5: Recommended bonus as at 31 Dec 2023

- 1.22. Should the bonus recommendations be adopted and implemented by the Board members, this will leave the Fund with a surplus of **ZWL\$415 903 323** split between Sub Fund A **ZWL\$258 711 308**, Sub Fund B **ZWL\$140 120 738** and Sub Fund C **ZWL\$17 071 276**, thus leaving the Fund in a sound financial position.
- 1.23. Our bonus recommendations are therefore affordable. However, care must be taken to protect the Fund against future adverse market movements.

1.24. Should our recommendations be adopted by the Fund Board members, then the financial position of the Fund would be as shown below;

After bonus	Actives			Pensioners	Preserved	ZEIPF				Total
	Sub Fund A	Sub Fund B	Sub Fund C	Sub Fund A	Sub Fund A	Sub Fund A	Sub Fund B	Sub Fund C	Stab Account	
Assets	184 148 691 002	267 593 135 537	30 478 865 220	21 610 912 961	5 107 575 001	210 867 178 964	267 593 135 537	30 478 865 220	3 399 580 252	512 338 759 972
Liabilities	183 889 979 694	267 453 014 798	30 461 793 943	21 610 912 961	5 107 575 001	210 608 467 656	267 453 014 798	30 461 793 943	3 399 580 252	511 922 856 650
Actives Account										-
Contributing	168 036 982 710	264 537 272 991	30 461 793 943			168 036 982 710	264 537 272 991	30 461 793 943		463 036 049 644
Omitted this valuation	52 868 362	-				52 868 362	-	-		52 868 362
Exit top ups	5 273 199 012	2 915 741 808				5 273 199 012	2 915 741 808	-		8 188 940 820
Unclaimed benefits	295 797 269					295 797 269	-	-		295 797 269
NGS Credits	117 558 732					117 558 732	-	-		117 558 732
Missing at conversion credits	124 842 326					124 842 326	-	-		124 842 326
Stabilization	-					-	-	-	3 399 580 252	3 399 580 252
2018 Surplus + Data Reserve	9 988 731 282					9 988 731 282	-	-		9 988 731 282
Preserved					5 107 575 001	5 107 575 001	-	-		5 107 575 001
Pensioners				19 755 871 538		19 755 871 538	-	-		19 755 871 538
Pensioner`s reserve				1 855 041 423		1 855 041 423	-	-		1 855 041 423
Surplus	258 711 308	140 120 738	17 071 276	-	-	258 711 308	140 120 738	17 071 276	-	415 903 323
Funding Level	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 6: Financial position after bonus as at 31 Dec 2023

1.25. In view of the obtaining hyperinflation environment, we recommend that returns be quickly passed on to members, especially those leaving the Fund.

1.26. Consequently, in view of the good asset performance of the Fund over January 2024 and a comfortable Pensioner's Reserve, we recommend that pensioners be awarded an additional **26,17%** payable effective 31 January 2024 in three equal lumpsum payments equivalent to a pension increase of **104%** of the current pensions at a cost of **ZWL\$384 755 243**.

1.27. The financial position of the Pensioners' Account should this be implemented is shown below.

Pensioners' Account	31-Dec-23
Assets	21 610 912 961
Liabilities	21 610 912 961
Pensioners	
<i>Capital value</i>	19 755 871 538
<i>Cost of Lumpsum benefit</i>	384 755 243
Pensioner's reserve	1 470 286 180
Surplus	-
Funding Level	100%

Table 7: Pensioners' Account Financial position after bonus as at 31 Dec 2023

ZEIPF Compensation Framework

1.28. In line with the Statutory Instrument 162 of 2023 Pensions and Provident Funds (2009 Compensation) Regulations 2023 from IPEC we have quantified the compensation of the Fund. Please refer to the Compensation Scheme of the Fund for further details.

1.29. The table below shows the total prejudice for the Fund;

	Total prejudice
31-Dec-2014	US\$ 2 696 462
31-Dec-2023	US\$3 518 272
Total	ZWL\$21 785 138 480

Table 8: Total prejudice as at 31 Dec 2023

1.30. Members of the Fund during the period 1 January 2004 to 28 February 2009 are entitled to a compensation of **US\$2 696 462** as at 31 December 2014 for the loss on their fund credits during the hyperinflation period between 2004 and 2008 which has been adjusted for time value of money to **ZWL\$21 785 138 480** as at 31 December 2023.

1.31. This means that the total prejudice as at 31 December 2023 of ZWL\$21 785 138 480 is split as shown in the table below;

	31-Dec-2023 (US\$)	31-Dec-2023 (ZWL\$)
Inflation prejudice	2 612 820	16 178 580 851
Contributions Not Honoured (Employer's Exposure)	794 194	4 917 649 839
Outstanding Benefits Prejudice (Fund's Exposure)	111 258	688 907 791
Total prejudice	3 518 272	21 785 138 480

Table 9: Prejudice split as at 31 Dec 2023

1.32. The table below shows our proposed financing of the Compensation;

	31-Dec-2023 (US\$)	31-Dec-2023 (ZWL\$)
Fund Portion (outstanding benefits)	111 258	688 907 791
Employer portion (Outstanding contributions)	794 194	4 917 649 839
Compensation Fund	2 612 820	16 178 580 851
	3 518 272	21 785 138 480

Table 10: Financing the prejudice.

1.33. After financing the prejudice from the Employer and the Fund, we recommend that the Fund set up a **Compensation Fund** amounting to ZWL\$16.178 billion (US\$2 612 820) to be financed by one per centum annual levy on the total value of the Fund assets as per **Section 9** of the Statutory Instrument 162 of 2023.

Final Bonus

1.34. The final bonus recommendations as at 31 December 2023 are shown in the table below.

	Bonus	Comments
Sub Fund A	841,00%	Cumulative
Sub Fund B	482,64%	Cumulative
Sub Fund C	43,61%	Cumulative
Pension increase	77,73%	Additional
Pension reserve inc	841,00%	Cumulative
Preserved	841,00%	Cumulative

Table 11: Recommended bonus as at 31 Dec 2023

1.35. In our view, the Fund will be financially sound at the next review date should our recommendations be adopted and implemented by Board members.

1.36. We will be happy to discuss all the issues raised in this report.

For and on behalf of **MAOS**



David T. Mureriwa

Fellow of the Actuarial Society of South Africa

Fellow of the Faculty of Actuaries (UK)

(In my capacity as the Fund Actuary)

25 March 2024

2. INTRODUCTION

- 2.1. **David Mureriwa**, “DT Mureriwa”, as **Fund Actuary** and on behalf of Mureriwa Actuarial Outsourcing Services (Pvt) Ltd, “**MAOS**” has been requested to carry out an Actuarial Valuation of the Zimbabwe Electricity Industry Pension Fund (“the Fund”), to recommend a final bonus rate to be applied to Members as at 31 December 2023.
- 2.2. The Fund is a Self-Administered Defined Contribution arrangement which seeks to provide Pensions and other benefits to Eligible Employees and Spouses as well as their dependants/beneficiaries.
- 2.3. The benefit on exit is based on the Member’s Accumulated Credit. This is composed of the aggregate Contributions made by and in respect of the Member increased by the bonus rate declared as earned by the Fund’s Assets and any other proportionate allocations from the Stabilisation Account as agreed by the Board of Trustees from time to time.
- 2.4. The investment return is the rate generally reflecting the return earned on the assets of the Fund less investment related expenses, as determined by the Trustees after consultation with the Actuary. We have also taken the depreciation of property and equipment (*other than that of motor vehicles*) to be an investment expense.
- 2.5. The bonuses declared therefore have a direct impact on the benefits payable. In considering the bonus rate to declare, the Trustees should take into account the net investment return earned by the Fund compared to the interim interest rate allocated, as well as the financial position of the Fund and the degree of smoothing of returns.
- 2.6. The investigation (valuation) period is 1 January 2023 to 31 December 2023.
- 2.7. The **purpose of this Actuarial Valuation** is.
 - a) To determine the re-valuation gains arising from the conversion of assets from US\$ to ZWL\$ as well as Subsequent inflation experienced in 2023.
 - b) To equitably distribute the revaluation gains to all members of the Fund as at the valuation date.
 - c) Assess the financial position of the Fund by comparing the level of Assets to its Liabilities,
 - d) Recommend a final bonus rate for the financial year ending 31 December 2023,

- e) Comment on the Asset Mix of the Fund and comment whether it is a suitable match to the Liability Profile of the Fund,
 - f) Review the expense charge levied to the stabilization account when carrying out member exit calculations in line with inflation,
 - g) Comment on the impact of new IPEC regulation on the Fund,
 - h) Comment on the impact of consolidating ZEIPF with the ZESA Staff Pension Fund,
 - i) Assess the sufficiency of the contribution rate towards expenses,
 - j) To meet statutory requirements as per IPEC Guidelines; and,
 - k) Comment on any other issues, peculiar to the Fund.
- 2.8. This report was prepared with reference to the professional guidance notes **SAP201** of South Africa and to Guidance Notes issued by the Institute and Faculty of Actuaries (UK) and the Technical Actuarial Standards set by the Financial Reporting Council in all respect, except those sections specific to United Kingdom or South Africa have been ignored.

3. MARKET OVERVIEW

The Economy

- 3.1. Over the review period, the exchange rate increased and rose from USD: ZWL\$671,7226 in January 2023 to 6 104,7226 in December 2023, thus registering a depreciation of 809,19% in the currency over the period.
- 3.2. The All-Share Index stood at 24 782,89 at the beginning of the year and at 210 833,92 at the end of the year registering a 750,72% growth in the Zimbabwean Stock Market.

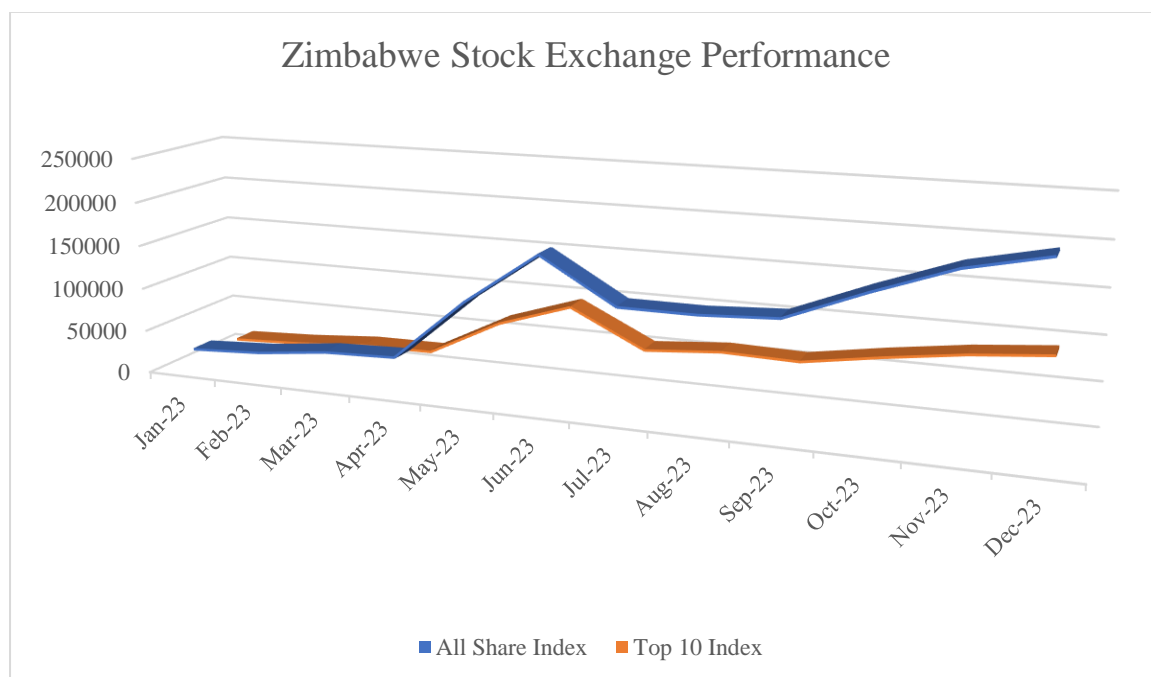


Figure 2 :ZSE Performance

- 3.3. The Fund earned an overall return of **580,87%** over the review period, which is consistent with market returns.
- 3.4. Had the assets been invested as per the recommend mix in the Investment Policy Statement, the Fund would have earned a return of at least **536%** Therefore, the Fund performance was consistent all the benchmarks.
- 3.5. However, it must be noted that since the Fund's investment returns of **580,87%** are below the depreciation of the local currency of **809,19%**. Therefore, members of the Fund have lost almost **33,53%** of the real value of their investments over the review period.

The Pensions Industry

- 3.6. The pensions industry comprised 970 registered occupational pension funds as at 30 June 2023 compared to 977 funds as at 30 June 2022.
- 3.7. The decrease was a result of funds whose dissolution was concluded during the period under review. Of these 492 were active, constituting 51% of the industry's funds while the remaining 478 were inactive.
- 3.8. The industries' total membership including beneficiaries rose to 980,854 as at 30 June 2023 from 976,000 as at 30 June 2022. The increase was mainly attributable to new registrations during the period under review.
- 3.9. To mitigate the various challenges facing the industry, the Insurance and Pensions Commission issued several Circulars to the industry. These are summarized below:

Circulars

Document	Issue date	Content
Circular 1 of 2023	10 January 2023	Assessment of annual reporting requirements
Circular 2 of 2023	27 January 2023	Request for information on Board of funds and terms of office
Circular 4 of 2023	16 February 2023	Compliance with section 64(4) of the Pension and Provident Funds Act Relating to Compliance of Fund Rules to the Act
Circular 5 of 2023	17 February 2023	Interim measures pending Gazetting of 2009 compensation regulations
Circular 6 of 2023	3 March 2023	Call for Comments on the micro-pension's framework
Circular 8 of 2023	16 March 2023	Annual publication of Financial Statements
Circular 10 of 2023	08 March 2023	Issuance of the directive for the Insurance and Pensions industry on Equities and Properties Valuations
Circular 18 of 2023	14 June 2023	Notification of Publication of the Insurance and Pensions (Levy) Regulations, 2023 and Insurance (Amendment) Regulations, 2022
Circular 27 of 2023	06 September 2023	Micro-pensions Framework

Table 12: Circulars issued in FY2023

- 3.10. In the fourth quarter Statutory Instrument 2023-162 Pensions and Provident Funds (Compensation for Loss Pre-2009 Value of Pension Benefits) Regulation, 2023 was officially gazette on the 29th of September 2023, its main purpose was to investigate the causes and extent of the loss of value of life insurance policies and pensions suffered by policyholders and pension scheme members during the period 1st of January 2000 to 28th of February 2009 (hereinafter defined as the “investigative period”).
- 3.11. Trustees must ensure that they carry out the Compensation Framework as per the Statutory Instrument 162 of 2023.
- 3.12. **Note that these market conditions shape some of our recommendations.**

4. REVIEW OF THE PREVIOUS VALUATION

4.1. The previous Financial Review was carried out as at 31 December 2022 by MAOS. The results of this exercise are summarised below:

After bonus	Actives		Pensioners	Preserved		ZEIPF		Total
	Sub Fund A	Sub Fund B	Sub Fund A	Sub Fund A	Sub Fund A	Sub Fund B	Stabilization account	
Assets	20 120 259 039	22 582 182 692	1 913 233 196	506 001 172	22 539 493 407	22 613 183 227	291 099 223	45 443 775 856
Liabilities	20 111 731 411	22 537 772 653	1 907 041 303	506 001 172	22 524 773 885	22 537 772 653	291 099 223	45 353 645 761
Actives Account								
Contributing	18 429 339 074	22 012 358 755			18 429 339 074	22 012 358 755		40 441 697 829
Omitted this valuation	5 618 317	0			5 618 317	0		5 618 317
Exit top ups	558 077 993	336 958 710			558 077 993	336 958 710		895 036 703
Compensation (cont not honored)		188 455 188			-	188 455 188		188 455 188
Unclaimed benefits	31 434 354				31 434 354	-		31 434 354
NGS Credits	12 492 958				12 492 958	-		12 492 958
Missing at conversion credits	13 266 985				13 266 985	-		13 266 985
Stabilization					-	-	291 099 223	291 099 223
2018 Surplus + Data Reserve	1 061 501 730				1 061 501 730	-		1 061 501 730
Preserved				506 001 172	506 001 172	-		506 001 172
Pensioners			1 709 906 188		1 709 906 188	-		1 709 906 188
Pensioner`s reserve			197 135 114		197 135 114	-		197 135 114
Surplus	8 527 629	75 410 574	6 191 893	0	14 719 522	75 410 574	0	90 130 095
Funding Level	100,0%	100,3%	100,3%	100,0%	100,1%	100,3%	100,0%	100,2%

Table 13: Financial position as at 31 Dec 2022

4.2. The previous review was carried out as at 31 December 2022 by MAOS. The results of the exercise revealed that the Fund was financially sound with a surplus of **ZWL\$27 326 111 111** split between Sub Fund A and B as **ZWL\$15 593 589 615** and **ZWL\$11 732 521 496**, respectively before recommendations, due to positive returns earned on assets held.

- 4.3. We recommended that Board members award the following bonuses to maintain financial soundness at the review date. We have been advised that these were adopted and implemented by the Board members.

	Bonus	Comments
Sub Fund A	257,0%	Cumulative
Sub Fund B	197,0%	Cumulative
Pension increase	54,1%	Additional
Pension reserve inc	257,0%	Cumulative
Preserved	257,0%	Cumulative

Table 14: Bonuses adopted as at 31 Dec 2022

- 4.4. We have been notified by the Fund Management that these recommendations were adopted and implemented by the Trustees.

Interim Bonuses and Pension Increases Recommendations FY2023

- 4.5. We carried out a Bonuses and Pension Increases Recommendations exercises.
- 4.6. Pensioners have been awarded the following pension increases over the year 2023.
- ZWL Lumpsum payment equivalent to the ZWL current pension guaranteed for the three-month period July to September 2023.
 - USD Lumpsum equivalent to the ZWL monthly pension and rounded up to the nearest multiple of USD 10 guaranteed up until 31 December 2023, subject to the following minimums:
 - USD 30 for principal pensioners,
 - USD 20 for spouse beneficiaries, and
 - USD 10 for child beneficiaries.

- c) The table below shows the pension increases awarded over the period:

Effective date	Pension Inc awarded
31-Jan-23	7%
28-Feb-23	4%
31-Mar-23	82%
30-Apr-23	8%
31-May-23	38%
30-Jun-23	66%
31-Jul-23	0%
31-Aug-23	0%
30-Sep-23	0%
Cumulative	429%

Table 15: Pension Increase awarded in FY2023

4.7. The bonus awarded to exit members:

Month	Sub Fund A	Sub Fund B
Jan-23	7,4%	7,3%
Feb-23	5,9%	6,0%
Mar-23	79.2%	38.6%
Apr-23	8,2%	5,4%
May-23	37,8%	22,2%
June-23	233,8%	123,0%
July-23	-5,3%	-16,4%
Aug-23	0,6%	1,8%
Sept-23	5,4%	-2,3%

Table 16: Bonuses awarded to exit members

5. RELIANCES AND LIMITATIONS

- 5.1. The results and opinions contained in this report are Subject (but not exclusively to) the following reliance and limitations.

Reliance

- 5.2. In developing this report, we have relied extensively on the data supplied by Fund Management.
- 5.3. Reliance was placed on, but not limited to, the accuracy of the following:
- a) Pensioners' data as at 31 December 2023,
 - b) A schedule of actives, paid exits and pending exits' membership schedule as of 31 December 2023,
 - c) Audited financial statements as of 31 December 2023,
 - d) Actuarial Valuation Report as at 31 December 2022,
 - e) Monthly Pension Increases and Bonus recommendations Reports,
 - f) Communications with Fund Management.

Limitations

- 5.4. The accuracy of any values quoted in this report and the conclusions reached are limited to the accuracy of the underlying data and information (listed above) on which this report is based. Should this data be any different from that representing the membership of the Fund, this review will need to be redone.

6. SUMMARY OF MEMBERSHIP DATA

6.1. The Financial Review as at 31 December 2023 is based on the membership as shown below.

Membership Summary	FY2023	FY2022
Contributing members		
Number	6910	6 752
Salary weighted average age	53,33	46,16
Opening Accumulated Credit	38 357 485 833	8 363 438 184
Contributions	80 767 013 158	7 743 888 254
Exits		
Number	858	362
Salary weighted average age	49,40	49,40
Accumulated Credit	2 148 097 980	115 802 536
Contributions	181 241 927	0
Benefit paid	-769 143 294	
Unclaimed benefits		
Number	67	67
Accumulated Credit	31 434 354	8 805 141
NGS Credits		
Number	45	45
Accumulated Credit	12 492 958	3 499 428

Table 17: Membership summary as at 31 Dec 2023

6.2. Pensioners' membership summary is as below:

Pensioners Summary	FY2023	FY2022
Adult Member		
Number	752	969
Average monthly pension	65 253	5,485
Pensioner weighted average age	62	69
Widow		
Number	306	344
Average monthly pension	45 948	4,323
Pensioner weighted average age	47	57
Children		
Number	217	483
Average monthly pension	41 867	2,685
Pensioner weighted average age	13	20

Table 18: Pensioners membership summary as at 31 Dec 2023

6.3. We have relied extensively on the data supplied by Fund Management. The accuracy of the results of this report and the conclusions reached are limited to the accuracy of the information availed. Should this data be any different from that representing the membership of the Fund, this review will need to be redone.

7. CONTRIBUTIONS

- 7.1. The expenses of the Fund are currently met by the Employer through a contribution of 2% of Salary bill to the Stabilisation Account. The Contribution rates can be summarised below.

Contributions	% of salary
Employer Contribution	21,25%
Less: Contribution towards Fund expenses	2,00%
Net Employer contributions towards retirement benefits	19,25%
Employee Contributions towards Retirement	6,25%
Total Contribution towards retirement	25,50%

Table 19: Contributions as per Fund Rules

- 7.2. The Trustees of the Fund should consider whether the contributions towards retirement are sufficient to provide a reasonable benefit on retirement. In doing this the Trustees may also need to consider the desired Replacement Ratios of the Members in relation with the actual Replacement Ratios.

Stabilisation Reserve Account

- 7.3. According to the Fund Rules, the Stabilisation Account is meant to cater for all Fund expenses.
- 7.4. The build-up of the Stabilization Reserve Account over the valuation period is as shown in the table below;

Stabilization account	Total
Opening	291 099 223
Contributions	5 551 629 494
Charges on pensioners + exits	
Staff costs	-2 738 031 074
Administration expenses	-1 294 728 964
Actuarial fees	-55 046 500
Audit fees	-39 328 466
IPEC Levies	-147 329 556
Bank Charges	-283 790 405
Board expenses	-309 206 810
Provision of bad debts	-68 884 380
Closing before distributions	906 382 562
Return earned	2 493 197 690
Closing after distributions	3 399 580 252

Table 20: Stabilization Build Up FY2023

- 7.5. As shown in the table above, the amount in the Stabilisation Account of the Fund amounted to **ZWL\$3 399 580 252** as at 31 December 2023.
- 7.6. The Trustees must always monitor expenses to ensure they are within the set budgets, i.e., each year expenses must not exceed the 2% of pensionable salary available allocation.
- 7.7. In addition, it is also recommended that when costs are related to investment decisions, these costs be levied on the investment income rather than the administration charge of 2%, for example, when Trustees meet to decide on investment matters, then the costs must be met from the investment income.

Review of the fixed charges on preserved member & pensioners

- 7.8. We note that charges on Pensioners and Exits have not been reviewed over the last 3 years.
- 7.9. We recommend that these be reviewed upwards, effective 1 January 2024, by a factor of 12.7 as follows.

Type of Exit	Current Amount (ZWL\$)	Proposed Amount ZWL\$
On retirement	200	2,500
Death	200	2,500
Preserved	125	1,600
Transfers	200	2,500
Children's benefits	50	650

Table 21: Recommended charges on exits

- 7.10. In view of the obtaining hyperinflation, **we recommend a review of the ZW\$200 fixed charges to ZWL\$2,500**; i.e., the once-off charge applied to members upon preservation and/or purchase of an annuity within the Fund.

Impact of Circular 41 of 2021

- 7.11. We understand that IPEC issued out a guideline to prescribe the thresholds that be by the pensions industry in defining the rate and basis for charging expenses. We have assessed the impact using 2023 figures.
- 7.12. ZEIPF is stand-alone fund thus the applicable maximum caps are as below:

Type of fees	Fees on Contributions	Fees on Assets
Administration expense	15%	Not allowed
Board costs	0.5%	Not allowed

Table 22: IPEC Caps on max funds towards administration expenses

7.13. The expenses of the Fund are currently met by the Employer through a contribution of 2% of Salary bill to the Stabilisation Account i.e., *10,4% of the Employer contributions or 7,84% of Total Contributions.*

7.14. **The current available expenses within the Fund are therefore within the IPEC Expense Guidelines. This is not surprising given the high contribution rates of the Fund.**

7.15. The Management has been able to manage the expense of the Fund. The proportion of expense for the FY2023 were as below:

% Of ER Contributions	
Administration expenses	6,60%
Board expenses	0,45%

Table 23: Proportion of expense to contributions FY2023

7.16. **We recommend that the Fund review its Rules to accommodate the caps in the Expense Guidelines as well as align the Rules to the new Act.**

8. ASSETS AND RETURN OF THE FUND

8.1. In this section we review the assets of the Fund. The assets of the Zimbabwe Electricity Industry Pension Fund are managed by the Fund.

8.2. We have been provided with the audited financial statements of the Fund for the year ending 31 December 2023, breakdown is as follows:

Assets	Sub Fund A	Sub Fund B	Sub Fund C	Total	Prop
Property					
Motor vehicles	245 104 612	1 510 918 844	-	1 756 023 456	0,3%
Furniture and equipment	7 605 300	42 733 815	-	50 339 114	0,0%
Computer systems and hardware	19 032 958	224 231 691	-	243 264 649	0,0%
Investment property	165 516 749 552	115 817 096 586	-	281 333 846 138	54,6%
Equities			-		0,0%
quoted:	43 314 183 087	13 227 642 083	344 748 214	56 886 573 384	11,0%
unquoted	570 962	25 187 922 494	-	25 188 493 456	4,9%
other prescribed assets	60 603		-	60 603	0,0%
Loans and mortgages on property	20 348 538	416 652 589	-	437 001 127	0,1%
Staff loans and mortgages		966 065	-	966 065	0,0%
other prescribed assets		2 345 082 869	-	2 345 082 869	0,5%
Staff loans and mortgages		92 391 458	-	92 391 458	0,0%
Money market investments	522 461 262	100 983 533	-	623 444 796	0,1%
Cash on hand and at bank	1 958 475 123	1 619 721 912	1 110 900 790	4 689 097 825	0,9%
Contribution arrears		107 993 214 417	30 630 399 763	138 623 614 181	26,9%
Rental arrears	191 604 320	22 704 000	-	214 308 320	0,0%
Value Added Tax		1 397 683 933	-	1 397 683 933	0,3%
Other debtors	40 202 923	1 407 716 577	-	1 447 919 500	0,3%
Total Assets	211 836 399 242	271 407 662 865	32 086 048 768	515 330 110 875	100,0%

Table 24: Asset mix as at 31 Dec 2023

8.3. The assets of the Fund amounted to **ZWL\$515 330 110 875** as at 31 December 2023 split amongst Sub Fund A, B & C as **ZWL\$211 836 399 242**, **ZWL\$271 407 662 865** and **ZWL\$32 086 048 768** respectively.

8.4. The net assets backing liabilities after deducting non-pension related liabilities, are **ZWL\$512 338 759 972** as at 31 December 2023.

- 8.5. Based on the average assets held over the period from 1 January 2023 to 31 December 2023, and the total net investment income of the Fund the return earned on the assets amounted to an average of:

	Return
Sub Fund A	909,40%
Sub Fund B	482,64%
Sub Fund C	43,61%
Overall	580,87%

Table 25: Return earned by Fund FY2023

- 8.6. We recommend that the Investment Strategy of the Fund be continuously monitored to ensure an optimal performance of the Fund.

Appropriateness of Assets

- 8.7. The Assets of the Fund can be grouped into three major divisions.
- Property (Direct property investments or indirectly through property pooled Funds)
 - Near-Bond Assets (Bonds, Debentures, Prescribed assets, Guaranteed Funds)
 - Equity (Investments in local companies listed on the ZSE)
 - Money Market investments (Deposits and balances in current and savings accounts with banks and includes money market investments)

Asset Allocations

- 8.8. In terms of the Investment Policy the recommended asset-mix for the Fund is as follows;

Asset Class	Recommended Mix	Acceptable Range	IPEC Upper limit
Property	35%	30% to 40%	50%
Equity	25%	15% to 25%	50%
Bonds	10%	5% to 15%	45%
Prescribed Assets	10%	5% to 20%	40%
Cash and Other	10%	5% to 15%	10%
Alternative Investments	10%	5% to 15%	10%
Total	100%		

Table 26: Recommended asset mix as at 31 Dec 2023

8.9. The comparison of the current mix and the recommend mix is as follows:

Asset class	Current mix	Recommended mix
Property	54,58%	35%
Equity	15,92%	25%
Prescribed assets	0,45%	10%
Bonds	0,02%	10%
Cash & money market	1,06%	10%
Other assets	27,97%	10%
Total	100,00%	100%

Table 27: Recommended mix vs Current asset mix as at 31 Dec 2023

8.10. The Fund is not compliant with prescribed assets ratios. We recommend this be addressed.

8.11. There is need to consider the local economic environment bearing in mind the following:

- i. The economy is experiencing hyperinflation.
- ii. Fixed interest investments (Bonds) and Cash in Zimbabwe are currently exposed to currency and inflation risk.
- iii. The investment markets in Zimbabwe are not developed hence appropriate assets that match the liability profile may not be available.

8.12. We further recommend that moving from the current asset allocation to the recommended strategic asset allocation be done in a smooth manner, (for example over 2 to 3 years). This will mitigate the risk of compromising the market values of the Fund's assets.

9. VALUATION OF LIABILITIES

- 9.1. In this section we look at how our liabilities have been valued.
- 9.2. The liabilities of the Fund are represented by the Active Members' Accumulated Credits, Exit top ups, Unclaimed Benefits, NSG Credits, Deferred/Preserved, Pensioners' liability, and the Stabilisation Account and Data reserves as at 31 December 2023.
- 9.3. The Fund is a Defined Contribution Fund where the benefit on exit is based on the Member's Accumulated Credit. This is composed of Member and Employer contributions to withdrawal, with amounts transferred into the Fund in respect of the Member, plus any bonuses (interim and final) credited to the Member's account. The bonuses therefore have a direct impact on the benefit payable.
- 9.4. The liabilities of the Fund at the review date are made up of the following:

Active Accumulated Credits:

- 9.5. These are made up of contributions made by and in respect of Members, accumulated with the bonus rate declared on the Fund from time to time.
- 9.6. The liability is therefore the Member's Accumulated Credit. We have verified this to be accurate.
- 9.7. We still recommend that the Fund Management identify the missing members at conversion and add these onto the system. *(This will be discussed with management.)*

Pensioner's Liability and Pensioner's Reserve

- 9.8. These Pensioners liabilities have been set as the present value of future pensions assuming the future life expectancy of pensioners as well as future likely investment returns. Pensioners' Reserve is a notional amount within the pensioner's account which acts as capital against future volatilities within the Pensioner's Account.
- 9.9. The following table shows the assumptions we used in valuing the pensioners of the Fund.

Assumption	Valuation Basis
Long Term Inflation	7.5%
Investment Return	11%
Pension Increase Rate	6.04%
Male Mortality	PA (90)
Female Mortality	PA (90) (-3)
Guarantee period	10 years
Spouse Proportion (after commutation)	50%
Children's Maximum Age	23

Table 28: Pensioners' valuation basis

- 9.10. For the year 2023 we recommend that the following basis be adopted,

Assumption	Valuation Basis	Pricing Basis	Commutation basis
Long Term Inflation	7,5%	7,5%	7,5%
Investment Return	11,04%	11,04%	11,04%
Pension Increase Rate	6,04%	5,279%	5,45%
Male Mortality	PA (90)	PA (90)	PA (90)
Female Mortality	PA (90) (-3)	PA (90) (-3)	PA (90) (-3)
Guarantee period (default)	10 years	10 years	10 years
Spouse Proportion (before commutation)	50%	50%	50%
Children's Maximum Age	23	23	23

Table 29: Recommended pricing, commutation & valuation pensioner's basis

Preserved Benefits

- 9.11. These relate to benefits for Deferred Members as well as benefits not paid for over a reasonable period.
- 9.12. The liability is therefore the Member's Accumulated Credit.

Unclaimed Benefits

- 9.13. These relates to benefits that have not been claimed by beneficiaries. We recommend that the Management puts in strategies to track these members and have their benefits paid.

Stabilisation Reserve account,

9.14. This serves to meet all Fund operating expenses in line with Fund Rules. The balance of this reserve account can be used to award bonuses to Members at the Trustees discretion.

2018 Surplus & Data Reserve

9.15. This reserve was set up to meet the Liability arising due to Members, who may have been omitted from the valuation data schedules. Though we are happy with the quality of the data we have maintained the data reserve at previous year's level, but we are recommending that this be distributed before the imminent merger.

9.16. **Note that the build-ups of each of the above liabilities is in Appendix 1.**

9.17. In considering the bonus rate to declare, the net investment return earned by the Fund should be compared to the interim interest rate allocated. The financial position of the Fund after any bonus is declared also needs to be taken into consideration in the derivation of this rate, as well as an allowance for the smoothing of returns and a margin against adverse contingencies.

9.18. The Liabilities of the Fund before any bonus recommendation is as shown below:

Before bonus	ZEIPF				Total
	Sub Fund A	Sub Fund B	Sub Fund C	Stabilization account	
Actives Account					
<i>Contributing</i>	16 825 745 462	78 472 734 376	25 201 845 213		120 500 325 051
<i>Omitted this valuation</i>	5 618 317	-	-		5 618 317
<i>Exit top ups</i>	560 438 032	424 732 456	-		985 170 488
Unclaimed benefits	31 434 354	-	-		31 434 354
NGS Credits	12 492 958	-	-		12 492 958
Missing at conversion credits	13 266 985	-	-		13 266 985
Stabilization	-	-	-	3 399 580 252	3 399 580 252
2018 Surplus + Data reserve	1 061 501 730	-	-		1 061 501 730
Preserved	506 001 172	-	-		506 001 172
Pensioners	1 709 906 188	-	-		1 709 906 188
Pensioner`s reserve	197 135 114	-	-		197 135 114
Liabilities	20 923 540 311	78 897 466 833	25 201 845 213	3 399 580 252	128 422 432 609

Table 30: Liabilities before bonus as at 31 Dec 2023

9.19. The total liabilities at this review date amount to **ZWL\$128 422 432 609.**

10. FINANCIAL POSITION

10.1. The financial position of the Fund due to the Members before bonus as at 31 December 2023 is as shown below.

Before bonus	Actives			Pensioners	Preserved	ZEIPF			Total
	Sub Fund A	Sub Fund B	Sub Fund C	Sub Fund A	Sub Fund A	Sub Fund A	Sub Fund B	Sub Fund C	Stabilization account
Assets	184 148 691 002	267 593 135 537	30 478 865 220	21 610 912 961	5 107 575 001	210 867 178 964	267 593 135 537	30 478 865 220	3 399 580 252
Liabilities	18 510 497 837	78 897 466 833	25 201 845 213	1 907 041 303	506 001 172	20 923 540 311	78 897 466 833	25 201 845 213	3 399 580 252
Actives Account									-
Contributing	16 825 745 462	78 472 734 376	25 201 845 213			16 825 745 462	78 472 734 376	25 201 845 213	120 500 325 051
Omitted this valuation	5 618 317	-				5 618 317	-	-	5 618 317
Exit top ups	560 438 032	424 732 456				560 438 032	424 732 456	-	985 170 488
Unclaimed benefits	31 434 354					31 434 354	-	-	31 434 354
NGS Credits	12 492 958					12 492 958	-	-	12 492 958
Missing at conversion credits	13 266 985					13 266 985	-	-	13 266 985
Stabilization	-					-	-	-	4 419 198 331
2018 Surplus + Data reserve	1 061 501 730					1 061 501 730	-	-	1 061 501 730
Preserved	-				506 001 172	506 001 172	-	-	506 001 172
Pensioners	-			1 709 906 188		1 709 906 188	-	-	1 709 906 188
Pensioner`s reserve	-			197 135 114		197 135 114	-	-	197 135 114
Surplus	165 638 193 165	188 695 668 704	5 277 020 007	19 703 871 659	4 601 573 829	189 943 638 653	188 695 668 704	5 277 020 007	-
Funding Level	995%	339%	121%	1133%	1009%	1008%	339%	121%	100%

Table 31: Financial position before bonus recommendations as at 31 Dec 2023

10.2. Our shows an excess of assets over liabilities of **ZWL\$383 916 327 364** split amongst Sub Fund A, B and C as **ZWL\$189 943 638 653**, **ZWL\$188 695 668 704** and **ZWL\$5 277 020 007** respectively.

10.3. This surplus translates to a Funding Level (Assets over Liabilities) of 399% split 1008%, 339% and 121% amongst Sub Fund A, B and C, respectively. This Funding Level shows that the Fund and Sub Funds are financially sound as at 31 December 2023.

10.4. Should our recommendations be adopted by the Fund Trustees, then the financial position of the Fund (*assuming the remission of all outstanding contributions and interest*) would be as shown below:

After bonus	Actives			Pensioners	Preserved	ZEIPF			Total
	Sub Fund A	Sub Fund B	Sub Fund C	Sub Fund A	Sub Fund A	Sub Fund A	Sub Fund B	Sub Fund C	Stab Account
Assets	184 148 691 002	267 593 135 537	30 478 865 220	21 610 912 961	5 107 575 001	210 867 178 964	267 593 135 537	30 478 865 220	3 399 580 252
Liabilities	183 889 979 694	267 453 014 798	30 461 793 943	21 610 912 961	5 107 575 001	210 608 467 656	267 453 014 798	30 461 793 943	3 399 580 252
Actives Account									-
Contributing	168 036 982 710	264 537 272 991	30 461 793 943			168 036 982 710	264 537 272 991	30 461 793 943	463 036 049 644
Omitted this valuation	52 868 362	-				52 868 362	-	-	52 868 362
Exit top ups	5 273 199 012	2 915 741 808				5 273 199 012	2 915 741 808	-	8 188 940 820
Unclaimed benefits	295 797 269					295 797 269	-	-	295 797 269
NGS Credits	117 558 732					117 558 732	-	-	117 558 732
Missing at conversion credits	124 842 326					124 842 326	-	-	124 842 326
Stabilization	-					-	-	-	3 399 580 252
2018 Surplus + Data Reserve	9 988 731 282					9 988 731 282	-	-	9 988 731 282
Preserved					5 107 575 001	5 107 575 001	-	-	5 107 575 001
Pensioners				19 755 871 538		19 755 871 538	-	-	19 755 871 538
Pensioner's reserve				1 855 041 423		1 855 041 423	-	-	1 855 041 423
Surplus	258 711 308	140 120 738	17 071 276	-	-	258 711 308	140 120 738	17 071 276	-
Funding Level	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 32: Financial Position after bonus recommendation as at 31 Dec 2023

10.5. Should the bonus recommendations be adopted and implemented by the Trustees, this will leave the Fund with a surplus of **ZWL\$415 903 323** split amongst Sub Fund A ZWL\$258 711 308, Sub Fund B ZWL\$140 120 738 and Sub Fund C ZWL\$17 071 276, thus leaving the Fund in a sound financial position.

10.6. We recommend that the following bonuses be awarded as follows;

	Bonus	Comments
Sub Fund A	841,00%	Cumulative
Sub Fund B	482,64%	Cumulative
Sub Fund C	43,61%	Cumulative
Pension increase	77,73%	Additional
Pension reserve inc	841,00%	Cumulative
Preserved	841,00%	Cumulative

Table 33: Recommended bonus as at 31 Dec 2023

10.7. Care must be taken to protect the Fund against future adverse market movements. The reserved surplus as stated in the Bonus Smoothing Account serves as this cushion.

11. RISK ASSESSEMENT

- 11.1. Trustees need to be aware of the risks the Fund is undertaking and take steps to control them. This section considers the risks which the Fund faces and appropriate ways to address these.
- 11.2. The Trustees must ensure, with the help of its auditors and actuaries, that all the necessary procedures and checking processes are in place to ensure that as much risk to the Fund as possible is mitigated.
- 11.3. This section can be used as one possible checklist for risk management.

Data Risk

- 11.4. The main risk here is that the data on which the Fund bases its valuation (and other exercises) is not an accurate reflection of the actual underlying data on which risks are being underwritten.
- 11.5. The Fund needs to ensure that it has sufficient controls to ensure data integrity and detail.

Expense risk

- 11.6. Expenses form a key part of the Fund's cash flows, with a significant impact on its ability to provide good returns to its members. Higher expenses than those allowed for will compromise member's benefits. The Fund needs to maintain strong control on its expenses, so that the Reserve Fund is always positive.
- 11.7. Over the review period the Reserve Fund had a positive balance, hence Trustees are commended for keeping expenses within desired targets.

Investment risk

- 11.8. Investment risk essentially relates to the underlying investments behaving in a different manner to that expected when the original investment was made.
- 11.9. Investment risk could relate to a number of factors such as:
- Investment income being lower than expected,
 - Investment returns being reinvested under terms worse than initial conditions,
 - Capital growth being lower than expected.

- 11.10. In addition to the above, a further element of investment risk relates to the need to realise investments at inopportune times (i.e., at times when markets are generally low).
- 11.11. Associated with the above point would be lack of liquidity of some types of investments which would increase the investment risk of these assets when markets are down.
- 11.12. The recommended investment portfolio is used to check the performance of the Fund's investments.
- 11.13. Over the review period the Fund's performance was higher than the expected performance, hence we commend the Trustees for the good investment performance.

Inflation Risk

- 11.14. 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.

Legal Risks

- 11.15. Some of the risks that the Fund faces include:
- Legislative risks
 - Litigation risks
- 11.16. The Fund must make sure it keeps in line with the country's legal frameworks and IPEC Regulations in order to mitigate some of these risks and strive to treat members fairly.

Default Risk

- 11.17. The risk of default on assets is greater where there is a concentration of investments with an Investment Manager or in an Asset. The Fund will therefore strive to arrange proper protection of Assets by segregating Investment Managers (where possible). 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.
- 11.18. Trustees must also ensure that contributions are remitted timeously to the Fund.

Credit risk/Counterparty Risk

- 11.19. 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.

Lower Replacement Ratios than expected

- 11.20. The Trustees of the Fund should consider whether the contributions towards retirement are sufficient to provide a reasonable benefit on retirement. In doing this the Trustees may also need to consider the desired Replacement Ratios of the Members in relation with the actual Replacement Ratios.

Asset Valuation Risk

- 11.21. We are of the view that the Property Investments are undervalued in ZWL\$, given the over 100% discount of the Auction Rate to the more appropriate parallel market rate. Trustees need to note this, especially when commuting pensioners and paying Exits as potentially commuting Members or Exits are leaving value within the Fund. This poses a great to paying lower than actual values to these members. We recommend that the commuting basis addresses this.

Consolidation Risk

- 11.22. Ensure that the both the assets and liabilities of the consolidated fund are separated and accounted for over at least 5 years until all the risks identified as consolidation risks are managed, please refer to the Consolidation Framework.

12. CONCLUSION AND RECOMMENDATIONS

- 12.1. We have carried out a Financial Review of the Zimbabwe Electricity Industry Pension Fund as at 31 December 2023.
- 12.2. Our shows an excess of assets over liabilities of **ZWL\$383 916 327 364 split** amongst Sub Fund A, B and C as **ZWL\$189 943 638 653**, **ZWL\$188 695 668 704** and **ZWL\$5 277 020 007** respectively.
- 12.3. This surplus translates to a Funding Level (Assets over Liabilities) of 399% split 1008%, 339% and 121% among Sub Fund A, B and C, respectively. This Funding Level shows that the Fund and Sub Funds are financially sound as at 31 December 2023.
- 12.4. Based on the investment returns earned and the smoothing policy, we recommend that Trustees award the following bonuses.

	Bonus	Comments
Sub Fund A	841,00%	Cumulative
Sub Fund B	482,64%	Cumulative
Sub Fund C	43,61%	Cumulative
Pension increase	77,73%	Additional
Pension reserve inc	841,00%	Cumulative
Preserved	841,00%	Cumulative

Table 34: Recommended bonus as at 31 Dec 2023

- 12.5. Should the bonus recommendations be adopted and implemented by the Trustees, this will leave the Fund with a surplus of **ZWL\$415 903 323** split between Sub Fund A **ZWL\$258 711 308**, Sub Fund B **ZWL\$140 120 738** and Sub Fund C **ZWL\$17 071 276**, thus leaving the Fund in a sound financial position.
- 12.6. Our bonus recommendations are therefore affordable.
- 12.7. A Summary of our Recommendations is in **Appendix III**.
- 12.8. In our view, the Fund will be financially sound at the next review date should our recommendations be adopted and implemented by Trustees.

We will be happy to discuss all the issues raised in this report.

For and on behalf of MAOS

In my capacity as Fund Actuary



David T. Mureriwa

Fellow of the Actuarial Society of South Africa

Fellow of the Faculty of Actuaries (UK)

My Primary Regulator is the Actuarial Society of South Africa

25 March 2024

APPENDIX I: CONSOLIDATED REVENUE ACCOUNT AND BUILD-UPS

A.1.1. The change in the value of the Fund's assets over the period under review is shown by the following Consolidated Revenue Account.

	Sub Fund A	Sub Fund B	Sub Fund C	Total
Opening balance	22 539 493 407	22 904 282 449		45 443 775 856
Adjustments	0	0	0	0
Opening	22 539 493 407	22 904 282 449	0	45 443 775 856
Income				
Member contributions		18 219 262 317	10 060 155 087	28 279 417 404
Employer contributions		42 271 210 638	16 714 852 736	58 986 063 374
Interest on contribution arrears		49 697 182 545	664 815 791	50 361 998 336
Income from investments			0	
<i>Interest</i>	48 111 813	351 173 886	0	399 285 699
<i>Dividends</i>	1 304 074 944	353 432 184	4 157 592	1 661 664 720
<i>Rentals</i>	4 725 282 304	774 343 061	0	5 499 625 365
Unrealised Gains on Alternative Investments	37 283 559 769	32 201 415 499	48 493 369	69 533 468 637
Realised Gains		6 627 789 309	0	6 627 789 309
Exchange gains on prescribed assets		3 790 491 013	0	3 790 491 013
Revaluation Gains on Property	148 494 107 230	94 736 900 132	0	243 231 007 363
Other Income	444 608 477	1 560 523 352	0	2 005 131 828
Exchange gains	2 705 575 252	133 141 464	4 594 584 320	7 433 301 036
Benefits				
Pension - members	-1 518 960 891		0	-1 518 960 891
spouse	-449 411 060		0	-449 411 060
children	-291 519 950		0	-291 519 950
Deaths	-1 818 056		0	-1 818 056
Lumpsum- Retirements	-1 342 785 459		0	-1 342 785 459
Refunds- Resignations	-954 981 815		0	-954 981 815
Expenditure			0	
Asset management fees	-111 832 214	-32 662 011	-1 010 126	-145 504 351
Custodial fees	-43 429 465	-6 959 384	0	-50 388 849
Property management fees	-516 209 995	-361 207 811	0	-877 417 806
Property maintenance costs	-203 047 249	-142 078 327	0	-345 125 576
Staff costs		-2 738 031 074	0	-2 738 031 074
Administration fees		-1 294 728 964	0	-1 294 728 964
Actuarial fees	-36 979 174	-18 067 326	0	-55 046 500
Audit fees	-26 420 103	-12 908 363	0	-39 328 466
Board expenses		-309 206 810	0	-309 206 810

IPEC expenses	-98 710 803	-48 618 753	0	-147 329 556
Bank charges	-190 139 572	-93 650 834	0	-283 790 405
Provision of bad debts	-68 884 380	0	0	-68 884 380
Miscellaneous	0	0	0	0
Closing Net Assets	211 689 683 012	268 563 028 192	32 086 048 768	512 338 759 972

Table 35: Assets build up over the 2023 for Sub Fund A, B & C

Surplus Movement

A.1.2. The table below summarises the movement of surplus over the period;

Analysis of surplus	Sub Fund A	Sub Fund B	Sub Fund C
Opening balance	14 719 522	75 410 574	0
<i>Adjustments</i>			
Interest on contribution arrears		49 697 182 545	664 815 791
Income from investments			
<i>Interest</i>	48 111 813	351 173 886	0
<i>Dividends</i>	1 304 074 944	353 432 184	4 157 592
<i>Rentals</i>	4 725 282 304	774 343 061	0
Unrealised Gains on Alternative Investments	37 283 559 769	32 201 415 499	48 493 369
Realised Gains	0	6 627 789 309	0
Exchange gains on prescribed assets	0	3 790 491 013	0
Revaluation Gains on Property	148 494 107 230	94 736 900 132	0
Other Income	444 608 477	1 560 523 352	0
Exchange gains	2 705 575 252	133 141 464	4 594 584 320
Asset management fees	-111 832 214	-32 662 011	-1 010 126
Custodial fees	-43 429 465	-6 959 384	0
Property management fees	-516 209 995	-361 207 811	0
Property maintenance costs	-203 047 249	-142 078 327	0
Surplus already awarded to pensioners			
<i>Other items</i>	-4 200 964 686	-1 065 594 732	-35 135 895
Closing balance before distributions	189 943 638 653	188 695 668 704	5 277 020 007

Table 36: Analysis of surplus FY2023

A.1.3. The change in the balance of the Stabilisation Account over the period under review is shown in the following build-up:

Stabilization account	Total
Opening	291 099 223
Contributions	5 551 629 494
Charges on pensioners + exits	
Staff costs	-2 738 031 074
Administration expenses	-1 294 728 964
Actuarial fees	-55 046 500
Audit fees	-39 328 466
IPEC Levies	-147 329 556
Bank Charges	-283 790 405
Board expenses	-309 206 810
Provision of bad debts	-68 884 380
Closing before distributions	906 382 562
Return earned	2 493 197 690
Closing after distributions	3 399 580 252

Table 37: Stabilization account build up FY2023.

Liability build ups

Contributing members	Sub Fund A	Sub Fund B	Sub Fund C	Total
Opening accumulated credit	18 429 339 074	22 012 358 755		40 441 697 829
Contributions		56 512 006 071	25 201 845 213	71 653 696 197
Transfer to exits	-73 151 576	-51 630 450		-124 782 026
Benefit paid	-1 530 442 036			-1 530 442 036
Transfer from non-contributing	0	0		0
Miscellaneous				0
Closing before bonus	16 825 745 462	78 472 734 376	25 201 845 213	110 440 169 964
Bonus awarded	151 211 237 248	186 064 538 614	15 320 103 817	352 595 879 680
Closing after bonus	168 036 982 710	264 537 272 991	30 461 793 943	463 036 049 644

Table 38: Contributing members liability build up FY2023

Sub Fund A	Unclaimed Benefits	NGS Credits
Opening	31 434 354	12 492 958
Adjustments		
Contributions		
Benefits paid		-
Miscellaneous	-	-
Closing before bonus	31 434 354	12 492 958
Bonus awarded	264 362 916	105 065 774
Closing after bonus	295 797 269	117 558 732

Table 39: Unclaimed and NGS liability build up FY2023

APPENDIX II: SUMMARY OF RECOMMENDATIONS

A2.1 We have tabulated below a summary of all the recommendations we have done in this report:

Recommendations	Why	By whom	When
Bonuses as per paragraph 13.3	To enhance Members' benefits in line with the Fund's performance.	Trustees	31 December 2023
Carry out monthly returns	To ensure exits are paid full benefits given the inflationary pressures in the economy.	Trustees	FY2023
Ensure that the new system is efficiently used.	Members see the benefits of investing in such an expensive system	Trustees and Fund Management	Continuous.
Take measures to ensure that outstanding contributions are remitted and report the level of outstanding contributions to the IPEC.	To ensure that assets backing up Members' liabilities are made available to the Fund.	Trustees	Continuous
Consider financial reporting at market values	To ensure Member's benefits are consistent with prevailing economic environment. To ensure consistency with best practice and peers in the market.	Trustees	Continuous.
Review the ZW\$200 fixed charges to ZWL\$2,500; i.e., the once-off charge applied to members upon preservation and/or purchase of an annuity within the Fund.	To manage expenses considering hyperinflation and avoid expenses overruns and cross Subsidization	Fund Management & Actuary	31 December 2023
Ensure investment related costs are met from investment income esp. Board meeting relating to investment decisions. Keep investment related expenses to 10% of realised investment income.	To avoid compromising administration charges with investment costs, and ensure correct matching of expenses. To enhance investment returns accruing to Members.	Trustees and Fund Management	Continuous
Ensure that Fund is compliant with prescribed assets ratios	To ensure optimal returns for Members	Trustees	Continuous.
Monitor Investments Performance	To ensure optimal returns for Members	Trustees	Continuous.

moving from the current asset allocation to the recommended strategic asset allocation be done in a smooth manner, (for example over 2 to 3 years).	This will mitigate the risk of compromising the market values of the Fund's assets.	Trustees and Fund Management	Continuous
Familiarise with the Pensions market & Circulars	To ensure the Fund's decisions are always up-to-date and in line with the Regulator's requirements	Trustees and Fund Management	Continuous
Ensure that membership data shows the outstanding contributions per each member	To enable an accurate computation of the Funded Position	Fund Management	Continuous
Encourage members with monthly pensions below US\$40 and US\$20 (beneficiaries) to commute	Compliance with the current legislation	Trustees	Continuous
Update Rules to accommodate the IPEC Guideline on Expense Framework and align Rules to new Act	Comply with regulations and the new Act	Trustees	1 January 2024
Review commutation basis	Avoid members being underpaid, since property is not being appropriately valued.	Actuaries & Management	1 January 2024

Table 40: Summary of recommendations

APPENDIX III: DATA CHECKS AND MEMBERSHIP RECONCILIATIONS

- A3.1. The data checks that were performed as at the valuation date are reflected below.
- A3.2. For each Member in the data received we checked for missing dates of birth, consistency of dates of birth, dates of joining, reference numbers and salary against the December 2021 data.
- A3.3. The data was generally consistent from last valuation. We are happy that data was reasonably clean.
- A3.4. The following membership statistics were calculated and checked for reasonability:
- Salary-weighted average age,
 - Average age,
 - Total Annual Pension.
- A3.5. These statistics checked are generally in line with those reported in the previous valuation as well as the cleaned data.
- A3.6. It should be noted that the accuracy of our checks is limited to the accuracy of the data we were supplied with and the ultimate responsibility of the accuracy of the Financial Statements and data lies with the Trustees and the Fund Management of the Fund.
- A3.7. We have maintained the figure for preserved benefits. We recommend that an exercise be carried out to determine the actual preserved amounts to avoid holding Funds idle.

Membership builds ups.

Contributing members	
Opening	6752
Transfer to exits	-15
Duplicates	1
Omitted Last Valuation	7
Omitted This Valuation	7
New entrants	159
Reinstatements	0
Miscellaneous	0
Closing	6 910

Table 41: Contributing member build up FY2023

APPENDIX IV: COMPENSATION FRAMEWORK

A4.1. In line with the Statutory Instrument 162 of 2023 Pensions and Provident Funds (2009 Compensation) Regulations 2023 from IPEC we have quantified the compensation of the Fund. Please refer to the Compensation Scheme of the Fund for further details.

A4.2. The table below shows the total prejudice for the Fund;

	Total prejudice
31-Dec-2014	US\$ 2 696 462
31-Dec-2023	US\$3 518 272
Total	ZWL\$21 785 138 480

Table 42: Total prejudice as at 31 Dec 2023

A4.3. Members of the Fund during the period 1 January 2004 to 28 February 2009 are entitled to a compensation of US\$2 696 462 as at 31 December 2014 for the loss on their fund credits during the hyperinflation period between 2004 and 2008 which has been adjusted for time value of money to ZWL\$21 785 138 480 as at 31 December 2023.

A4.4. This means that the total prejudice as at 31 December 2023 of ZWL\$21 785 138 480 is split as shown in the table below;

	31-Dec-2023 (US\$)	31-Dec-2023 (ZWL\$)
Inflation prejudice	2 612 820	16 178 580 851
Contributions Not Honoured (Employer's Exposure)	794 194	4 917 649 839
Outstanding Benefits Prejudice (Fund's Exposure)	111 258	688 907 791
Total prejudice	3 518 272	21 785 138 480

Table 43: Prejudice split as at 31 Dec 2023

A4.5. The table below shows our proposed financing of the Compensation;

	31-Dec-2023 (US\$)	31-Dec-2023 (ZWL\$)
Fund Portion (outstanding benefits)	111 258	688 907 791
Employer portion (Outstanding contributions)	794 194	4 917 649 839
Compensation Fund	2 612 820	16 178 580 851
	3 518 272	21 785 138 480

Table 44: Financing the prejudice.

A4.6. After financing the prejudice from the Employer and the Fund, we recommend that the Fund set up a **Compensation Fund** amounting to ZWL\$16.178 billion (US\$2 612 820) to be financed by one per centum annual levy on the total value of the Fund assets as per **Section 9** of the Statutory Instrument 162 of 2023.