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Mining Industry Pension Fund
"Cares for your future"

ANNUAL NEWSLETTER

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Mr K Mukushi - Deputy Principal Officer (Finance and Investments)

Challenges in 2010

Although the operating environment in 2010 improved compared to 2009, the Fund faced several challenges, the main ones being the following:

Collection of Contributions

The Fund faced numerous challenges in 2010 ranging from late payment of contributions to no payment at all. In some instances, it was noted that contributions were deducted from employees' salaries but not remitted to MIPF on time.

Introduction

This second edition of the Fund's publication seeks to give an update on the activities and performance of the Fund during the year 2010.

2010 Highlights

MIPF Website (www.mipf.co.zw)

The Fund launched its website on the 9th of November 2010. The website gives an overview of the structure of the Fund as well as information on the benefits offered by the Fund. In addition, visitors to the site can access and download the Fund's Annual Reports, Annual Newsletters as well as the circulars to the mines for the years 2009 and 2010. Members can access their records and check their personal details, cumulative contributions and benefit statements. Pensioners can also access their personal records and check their pension status, bank details and contact addresses. The Fund's future updates and developments will also be accessed through the website in an effort to improve and expedite communication with all stakeholders.

The Fund welcomes comments and suggestions on the website.

Rise in Deferred Members

The number of deferred members has soared to excessive levels over the year under review.

Most employees (members) continued to leave employment without completing withdrawal forms. Members are encouraged to complete the BNI Withdrawal forms when leaving employment so as to facilitate speedy processing of their pension benefits.

The forms can be obtained at each mine's HR Offices. Members who wish to defer their benefits should always notify the Fund when they leave employment.

Monthly Pensions

A qualifying pensionable service of ten (10) years was introduced for new retirees in order to earn the Fund's minimum pension of US\$50. This qualification is in line with the actuarial proven fact that a pension is mainly a function of the number of years served as well as the amount contributed and investment returns. This is underscored by the fact that the Rules of the Fund permit early retirement at fifty (50) years, only after fifteen (15) years of contributory service which is actuarially considered to be sufficient to earn a meaningful pension.

Additional Death Benefit ADB

The Additional Death Benefit amount was increased from US\$250 to US\$500 effective from 1 July 2010. The benefit was also extended to former members of the Fund (pensioners) in an effort to improve benefits payable by the Fund.

Withdrawal Benefits

The Fund resumed the payment of refunds and commutations in February 2010 following the completion of the conversion exercise by the Actuary. By the end of December 2010 the Fund had paid a total 2,566 outstanding

claims.

Contributions

Following an agreement between the Chamber of Mines and the Associated Mine Workers Union of Zimbabwe, the minimum employer and employee contribution rates were increased to 7.5% apiece effective from 1 January 2010.

Suspended Pensioners

The Fund embarked on a campaign to reduce the number of suspended pensioners. As a result, the number of active pensioners increased from 27% of payroll (1,664 out of 6,153) as at 31 December 2009 to 50% of payroll (3,493 out of 7,007) by 31 December 2010. Pensions are suspended for non-submission of certificates of existence, bank details or contact addresses as well as when benefits remain unclaimed or upon death of a pensioner.

Prepaid Certificates of Existence

The Fund redesigned the certificates in a post card format and no postage is required for the Certificates of Existence posted within Zimbabwe.

Foreign Pensioners

In April 2010, the Fund wrote to seventeen (17) foreign embassies whose countries host non-resident pensioners, requesting assistance in tracing suspended pensioners. Although ten (10) of the embassies were not cooperative, assistance was and is being received from the other seven (7) embassies.

Local Pensioners

In August 2010, the Fund submitted lists of suspended pensioners to former employer mines hoping that friends or relatives of former employees who may still be employed at the mines could assist in tracing the suspended pensioners.

Submission of Schedules

The Fund also encountered problems with regards to the submission of contribution and salary schedules by some mines.

We would therefore want to encourage all the member employers to submit pension schedules timeously. Early submission of schedules enables the Fund to have accurate member records and details. This in turn translates to speedy processing of pension benefits when they become due.

Public Relations and Mine Visits

The Fund intensified mine visits in 2010. By the end of the year, the Fund's Public Relations team had visited 104 mines out of 107, with a total membership of 28,753.

Three mines could not be visited as it was not convenient for the mines at the time. The visits focused on updating members on conversion of Zimbabwe dollar (Z\$) benefit values to United States dollars (US\$) as well as retirement planning.

New Mines

As part of efforts to increase the Fund's contributions and membership base, the Fund also visited 36 non-member mines and quarries. Out of that number, eight (8) mines joined the Fund, twenty (20) mines declined to do so because they employed contract workers only, two (2) quarries were members of another fund, one (1) mine was closed while the remainder were still being followed up as at 31 December 2010. In all, ten (10) new member mines with six hundred and eighty two (682) employees had joined the Fund by the end of the year.

Financial Performance in 2010

During the year 2010, the accumulated Fund increased as shown below:

Opening balance at	US\$
Beginning of 2010 US\$	53.9million
Net increase in Fund	10.8million
Accumulated Fund	
at end of the year	64.7 million

Investment Performance

The Fund's gross return for the twelve months from 1 January to 31 December 2010 was (a negative) -8.46% against a year on year inflation of 3.2% in December 2010 as assets fell from US\$109 million to US\$108 million. The decline was the result of the fall in the values of immovable properties and equities, as these fell by 10% and 0.7% respectively during the year.

Membership Statistics

As at 31 December 2010, the Fund's membership profile was as follows:

Active members	- 27,424
Deferred members	- 38,765
Pensioners	- 7,007
Total	73,196

Actuarial Valuation Results

The Actuary completed the valuation of the Fund as at 31 December 2010 in March 2011 and determined that the Fund was not in a financially sound position with a funding level of 92% on an ongoing basis represented by total liabilities of \$ 117,975 million against total assets of \$108,245 million resulting in a deficit of \$9 729 805.

On a going concern assumption, the assets of the Fund were not sufficient to meet the accrued liabilities in respect of service up to the valuation date. The Actuary attributed the funding level deterioration to the fact that investments, mainly properties and equities, did not grow as expected. However, on a minimum funding basis, assuming no further benefit accrual or

Principal Officer's Message

The recovery of the pensions industry continued during the year 2010 in tandem with the recovery of the country's economic performance.

The exercise of converting the Zimbabwean dollar denominated assets and liabilities of pension funds to United States dollars was completed in 2010 for the majority of pension funds. This paved the way for the resumption of payment of pension benefits to beneficiaries and with it brought to the fore the issue of low pension values.

MIPF completed the conversion exercise in 2009 and by June 2010 had cleared the backlog of pension benefit claims payments accumulated since July 2008 when the Fund was forced to stop calculating and paying pension benefits due to the adverse effects of hyperinflation.

Although the Fund's investments in real assets such as properties and listed stock enabled it to salvage value at conversion, these investments could not however adequately preserve the value of pension savings against the unprecedented hyperinflation experienced by the country prior to the adoption of the multicurrency monetary regime in February 2009.

The issue of low pensions has emerged as the biggest challenge to the pension industry post-dollarisation. The issue has been discussed extensively in different fora including the recent annual congress for the Zimbabwe Association of Pension Funds (ZAPF) held in May 2011. There is a lot of finger pointing regarding who is to blame for the low pensions being paid.

increases, the Fund was solvent. On this basis, the Board of Trustees in consultation with the Actuary, approved an increase of 5% on all monthly pensions across the board effective from 1 January 2011. In addition, a 5% increase was also awarded to all active and deferred members as at 31 December 2010.

Advice to Members and Pensioners

Members and pensioners are advised to always notify the Fund of any changes in their contact details. Pensioners should always ensure that the Fund has their accurate and current banking details. In addition, pensioners should complete and submit their certificates of existence yearly to avoid suspension of their pension. Members are strongly

Pension Fund administrators have been blamed for failing to undertake prudent investment strategies during hyperinflation and the administrators have in turn blamed the hyperinflationary macro-economic environment for decimating the value of savings. The blame game or the finger pointing will do little to address the issue of low pensions. For us to move forward, we need to learn lessons from our past experiences and put in place strategies and measures that will address the issue of low pensions. For a defined contribution scheme such as the MIPF, the amount of pension that a member would receive on retirement is largely determined by three things: the amount of contributions made, the investment return and the length of the pensionable service (contributory service).

A closer analysis of the above three factors would reveal that an improvement in the level of pension contributions made and the investment returns will result in an improvement in the level of pensions paid. Improving the levels of pension contributions is the responsibility of the member employee and employer whilst improving the investment returns is the responsibility of the pension fund administrator. Therefore, the improvement in the level of pension benefits paid is achieved when both employer and employee members and the pension fund administrators work together. To achieve the

advised to inform their beneficiaries of their Record of Service (R/S) numbers and about how to claim benefits in the event of the member's death. This applies especially to members who leave employment without claiming all their benefits as there will be no employer to assist beneficiaries once the member is deceased.

Year 2011

In the coming year, the Fund intends to among other things, focus on the following areas:

- Tracing of suspended pensioners.
- Conducting training seminars for mine administrators.
- Retirement counseling.

strategic objective of significantly improving the levels of pension paid, in the medium to long term, the employer and employee members of the Fund agreed to increase the pension contributions rates from a minimum of 5% to 7.5% each effective 1 January 2010. On its part, the Fund is re-aligning its investment portfolio to achieve optimum risk-adjusted investment returns in line with its five year strategic plan. These two measures will go a long way in improving the level of pension benefits paid in the medium to long term. I take this opportunity to appeal to all the employee members of the Fund to check and ensure that information reflected on the Benefit Statements as at 31 December 2010 to be dispatched by July 2011 is accurate and up to date. I also urge and encourage members to plan for their retirement by making additional voluntary savings through MIPF or any other schemes to ensure retirement financial security.

I would like to express my sincere gratitude and appreciation to the Chairman and members of the Board of Trustees for their guidance and wise counsel given during the year.

I would also like to thank management and staff for their commitment and hardwork and lastly but not least, I thank all the key stakeholders of the Fund and in particular the members, both employees and employers for their invaluable support during the year.