

ANNUAL NEWSLETTER

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Board of Trustees

Mr C Mugwambi	- Chairman & Chamber Representative
Mr P Dell	- Chamber Representative
Mr J Chikomboro	- Chamber Representative
Mr. N. Mpofu	- Chamber Representative
Mr T Ruzive	- Union Representative
Mr J Midzi	- Union Representative
Mr P Ncube	- Union Representative
Mrs V Mlandeli	- Union Representative

Executive Management

Ms K Gatsheni Ndlovu	- Principal Officer & Chief Executive
Mr B Murewa	- Deputy Principal Officer (Finance & Investments)

Introduction

Every year, the MIPF strives to keep its stakeholders updated on the performance of the Fund as well as any new developments.

This fifth edition of the Fund's Annual Newsletter is yet another of the mouthpieces that the Fund uses to reach

out to members and other stakeholders in disseminating information.

Board Composition Changes

Mr Ngonidzashe Mpofu, a representative of the Chamber of Mines, was appointed to the Board on 24 April 2013. Mr Mpofu was appointed to the Board following the departure of the former Chairman, Mr James Maposa who served the Fund from 2005 and left in March 2013.

Executive Appointments

Principal Officer and Chief Executive

Ms Kwanele Gatsheni Ndlovu was appointed Principal Officer and Chief Executive of the Fund effective from 1 December 2013. Prior to her appointment, Kwanele was employed by the Fund as Deputy Principal Officer responsible for Legal and Operational issues. She has been with the Fund since 1 October 2000.

Kwanele holds a Bachelor of Laws degree from the University of Zimbabwe as well as a Master of Laws and a Master of Business Leadership from UNISA and a post graduate diploma in financial management from ACCA.

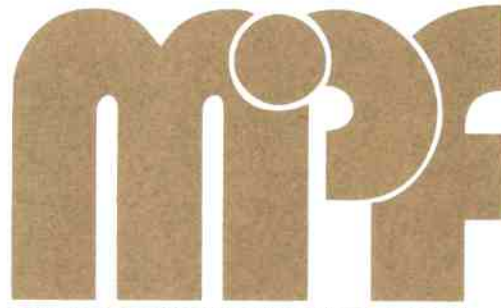
Deputy Principal Officer (Finance & Investments)

Mr Brian Murewa was appointed Deputy Principal Officer (Finance and Investments) with effect from 1 November 2013. Prior to joining the Fund, Brian was employed by Deloitte and Touche as Senior Manager in the Financial Advisory Services. Brian is a final year candidate in the Chartered Financial Analyst programme (CFA), as well as an affiliate member of the Global Association of Risk Professionals (GARP) and holds a BBSce Finance (Honours) from the University of Cape Town. Brian's portfolio of experience spans across audit, taxation and financial advisory.

Financial Performance in 2013

The accumulated Fund for the year ended 31 December 2013 was as follows:

Opening balance - (Jan 2013)	\$85,175,480
Increase in Accumulated Fund -	\$6,844,013
Balance at year end -	\$92,019,493



Mining Industry Pension Fund

"Cares for your future"

Investment Performance

The Fund earned a gross return of 16% for the year ended 31 December 2013 against year on year inflation of 0.33%. Although the Fund outperformed inflation, its rate of return was lower than that of 2012 which was 22.13%, reflecting the constrained economic climate in 2013.

Notwithstanding the overall growth in the market value of the Fund's assets by 13.36% to \$179,737,384 in 2013, the Fund's property values remained stagnant as the 2013 valuation registered an insignificant movement from \$100,422,000 recorded in 2012 to \$102,096,000.

Actuarial Valuation Results

At the end of 2013, on a going concern basis, the Fund's actuarial asset value amounted to \$179,737,384 while liabilities stood at \$225,567,752, leaving the Fund with an actuarial deficit of \$45,830,368 and a funding level of 80% before declaration of bonus.

An actuarial deficit refers to the difference between the Fund's social security obligations and the value of its assets at present. This therefore means that, on the assumption the Fund continues to operate in the long term, the assets of the Fund will not be sufficient to meet the accrued liabilities.

However, on a minimum solvency basis, assuming no further benefit accrual or increases, the Fund was solvent with a surplus of \$40,011,920 and a funding level of 129%.

Bonus Declaration

Following the completion of the Fund's actuarial valuation as at 31 December 2013 in March 2014, the Board of Trustees, acting on the advice of the Actuary, declared a 5% bonus to all membership categories including pensioners, effective from 1 January 2014.

Funding Level after Bonus

After declaration of 5% bonus to all membership categories, the Fund's funding level declined to 76%, a level still

above the minimum of 75% required by the Regulator.

Benefit Statements for 2013

Benefit Statements for the year ended 31 December 2013 were dispatched to the members in the last week of April 2014.

However, members whose employers were not up to date with payment of contributions as at end of 2013 were not sent their statements so as to avoid sending them statements with incorrect financial details. This is because the Fund's Pension System accrues contributions on the basis of invoiced contributions rather than on the actual contributions received.

Members are urged to check that the names, dates of birth and ID numbers reflected on the statements are correct. Where any of the above details are incorrect, the member should submit the correct details together with a photocopy of a valid identity document.

Membership

The membership of the Fund as at 31 December 2013 was as follows:

Active members	- 29,770
Deferred members	- 41,272
Pensioners	- 8,639
Total membership in 2013	- 79,681

During the year 2013, the Fund recruited 13 mines with a total membership of 1,013 employees.

Public Relations and Mine Visits

During the year under review, the Fund visited 109 out of a total 116 member mines. Nine (9) mines could not be visited as it was not convenient to do so at the time. The main purpose of the visits was to educate members on the activities and benefits offered by the Fund as well as to offer members an opportunity to interact with Fund officers and raise queries on areas where clarity was needed. Of the mines visited, 31 were visited to follow up outstanding contributions while outstanding pension schedules were also followed up at 21 mines.



Seminars for Mine Administrators

In December 2013, the Fund held two seminars for mine administrators responsible for handling MIPF issues. The seminars were held in Harare for selected mines in the northern region and in Bulawayo for selected mines in the southern region.

The purpose of the seminars was to inform mine administrators of the importance of remitting contributions and pension schedules on time and to equip them to deal with queries from employees on MIPF issues.

Advice to Members & Pensioners

1. Proof of Identification when Claiming

Members are advised that the only documents accepted by the Fund as proof of identification when claiming benefits are any of the following:

1. A valid passport
2. A plastic or metal identification card.
3. A driver's license

NB: The waiting passes are no longer accepted by the Fund as proof of identification.

2. Submission of Claims

Members should take note that the Fund will not process any benefits without submission of the BNI (Advice of Withdrawal) form signed by both employer and member or beneficiary, in case of death benefits. This form should be accompanied by the following documents:

1. For a Retirement Benefit: a copy of identity document.
2. For a Resignation/ Dismissal Benefit: a copy of identity document.
3. For a Retrenchment Benefit: a copy of an identity document and a copy of the letter of approval of the retrenchment from the Ministry of Labour.
4. For Death Benefits: a copy of an identity document of the spouse, a copy of the death certificate of the deceased member and copies of the birth certificates of children below the age of 18 years, as well as a copy of a marriage certificate or an affidavit from the spouse plus one affidavit and proof of identity from relatives of the deceased and one affidavit and proof of identity from relatives of the surviving spouse confirming that the two were customarily married. This also applies in cases where there is more than one surviving spouse. If any of the documents are missing, this will delay payment of the death benefits as the Fund will have to write to the beneficiaries requesting for the missing documents.

3. Certificates of Existence

The Fund sends out certificates of existence to all pensioners in July of each

year in order to ascertain if the pensioners are still alive. The completed and signed certificates should be returned to MIPF before the end of that year. In the event that a pensioner has not returned his or her signed certificate, the Fund will suspend payment of the monthly pension in January of the following year. If a pensioner has not received the certificate from MIPF by 30 September, he or she should contact the Fund by telephone or by visiting the Fund's Harare or Bulawayo offices. The Fund's satellite offices in Zvishavane and Masvingo are open **ONLY** on the first

Tuesday of every month. In the event that the pensioner is deceased, family members should notify the Fund and submit a copy of the death certificate. The Fund pays an additional death benefit of \$1,000 on the death of a member pensioner.

4. Pensioners' Contact Details

In an effort to improve communication with pensioners, the Fund would like to appeal to all pensioners to submit their mobile telephone numbers and, or e-mail addresses as soon as possible.

Principal Officer's Message Introduction

During 2013, the performance of the Fund was to a large extent, influenced by the operating environment. The strained economic environment had a bearing not only on the collection of contributions and rental debts, but on the performance of the investments as well. As a result, the Fund declared a bonus of 5% compared to 10% in 2012, while the funding gap increased in line with the increase in the liabilities to pensioners.

Outstanding Contributions

The importance of collecting all contributions due cannot be over emphasised. Cumulatively, since 2009 a total of \$43,282,225, including interest, remained outstanding. Of the outstanding contributions, \$15,755,176 was attributable to 2013 as some big mining houses that previously were able to remit contributions struggled to make payments.

There was no improvement regarding collections from defaulting mines. This had implications on the Fund growth as the Fund had to be prudent and provide in full for outstanding contributions. Also, available funds for investment were negatively affected, thus impacting the investment returns. Overall, this resulted in a lower than expected Fund growth. The Fund continued to follow up the defaulting mines through mine visits, written letters of demand, as well as engaging senior mine executives. In addition, the Chamber of Mines was requested to intercede and implore its members to remit contributions. To this end, the Chamber of Mines wrote to its members reminding them to remit contributions and underscored that the Fund would proceed with legal action as well as informing the Insurance and Pension Commission in its capacity of Regulator as is required by the law.

Investments

Investments performance was not only affected by the diminishing funds available for investments but also by the

general decline in returns that was obtaining on the market. The Fund was mainly invested in properties and listed equities in proportions of 56.73% and 31.04%. These categories of investments were hardest hit by the general decline in returns. Properties were negatively affected by the high rate of rentals defaults as many businesses that are tenants in the Fund's properties faced difficulties paying rentals. This saw property debtors increase from \$2,648,504 in 2012 to \$3,964,077 at the end of 2013. Management employed various strategies to enforce payment which included lock outs and legal action. In addition to these strategies, stringent vetting criteria were applied to ensure that only high quality tenants are accepted.

Apart from property returns, the capital appreciation of the real estate was lower than expected as evidenced by the valuation that registered an insignificant movement from \$100,422,000 in 2012 to \$102,096,000 in 2013. Again, this was influenced by the environment because property valuation is partly a function of liquidity as well as achievable rentals. Despite the good performance posted by listed equities, the overall portfolio performed below expectations due to the difficult economic environment. The Fund carefully selected quoted equities with a focus on long term viability in order to preserve value for members.

The combined effect of poor contributions and rentals collections as well as lower than expected investment returns and the subdued property portfolio valuation, all driven by the constrained operating environment accounted for lower than expected performance. This had a negative effect on the surplus available from which the bonus was declared.

The Challenge of Low Pensions

The challenge to pay meaningful pensions remains paramount for the Fund. However, the pension quantum is a function of the contribution rate, the length of pensionable service as well as the investment returns. The Fund's contribution rate of 7.5% apiece remains low compared to the industry average of 10% apiece. Therefore, there still remains a case for improving the contribution rate. The pensionable service is driven by the number of years

5. Fund's Contact Details

The Fund's offices are located at:

Harare - No. 5 Central Avenue, Harare.
Tel no. 04- 793821/5, 796234-6, 796262-3

Bulawayo - 43 Exchange Building,
Corner JMN Nkomo St/L. Takawira Ave.
Bulawayo. Tel: 09- 65132, or 64629

Masvingo Satellite Office - Metro Peach
Wholesalers, Corner Welby/Allan Wilson
Roads, Masvingo. Tel No.: 0772 220 678-9

Zvishavane Satellite Office - Maglas
Township Housing Office Zvishavane Tel:
09- 65132 or 64629.

WhatsApp Line

The Fund has introduced a Whatsapp line to facilitate easy communication with members. The number is 0772 147 606

that members contribute to the Fund. While investment returns are partly driven by market forces, the Board of Trustees and Management always strive to maximise returns while being prudent not to invest in high risk investments that might cause loss to the Fund.

Administration

May I take this opportunity to implore member mines to comply with the Fund requirements to remit contributions on time and submit schedules that show the breakdown of amounts paid to enable the allocation to individual members. The submission of schedules applies on a monthly basis even to those mines that are not paying contributions in order for the Fund to maintain accurate records.

Where mines are in arrears due to financial difficulties, many members opt **NOT** to wait for the arrears to be paid to the Fund in order to claim their benefits. This leaves the mines with the **obligation** to pay the contributions directly to exited members. It has come to the Fund's attention that where members opt to be paid their benefits calculated up to the last date of remittance of contributions, some debtor mines do not make good that liability to members. As a matter of policy, the Fund writes to the members and copies the debtor mines advising that the outstanding employer and employee contributions, plus interest calculated at 9% per annum remain due from the mines to the exited members. Mines are reminded to honour their liabilities to exited members.

Conclusion

The Board of Trustees and Management remain committed to managing the Fund to achieve long term sustainability. On behalf of the Board and Management, I take this opportunity to express appreciation for the role played by all the Fund's stakeholders in ensuring the long term viability of the Fund.