



**Mining Industry Pension Fund**

*"Cares for your future"*

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## **Circular to Mines and Workers' Committee Chairpersons**

**No. 1/2020**

**Subject: Interim Actuarial Valuation Results as at 30<sup>th</sup> June, 2019 and Review of Commutation and Preservation Limits and Interest Rates Levied by the Fund on Contributions Arrears**

This Circular provides an update on the Interim Actuarial Valuation results as at 30<sup>th</sup> June, 2019, the revised commutation and preservation limits as well as on the review of interest rates levied by the Fund on Contributions Arrears.

### **1. Interim Actuarial Valuation Results as at 30<sup>th</sup> June, 2019**

In view of the difficult operating environment which has resulted in the loss of value of pension benefits, the Fund has resolved to carry out quarterly Actuarial Valuations effective from the second quarter ending 30<sup>th</sup> June, 2019 until the economic situation becomes stable. The objective of carrying out quarterly valuations is to ensure that pension benefits are reviewed frequently in line with the developments in the operating environment so as to mitigate against the inflationary loss of pension values.

The first quarterly valuation as at 30<sup>th</sup> June, 2019 showed that the Fund had a surplus of \$191 million which translated to a Funding Level of 124%. This Funding Level was net of provisions of \$425.1 million made in view of the volatile operating environment that affected property valuations. As a result, the Fund awarded the following in order to cushion members and pensioners against the adverse effects of hyperinflation;

- i. A pension increase of 50% to all pensioners (including suspended pensioners) effective from 1<sup>st</sup> July, 2019.
- ii. A bonus of 50%, for the 6 months to 30<sup>th</sup> June, 2019 to all active, deferred and preserved members.
- iii. An interim bonus of 6.99% per month to all exiting members from 1<sup>st</sup> July, 2019 to date of exit.
- iv. A 50% increase in the Additional Death Benefit from \$1,000.00 to \$1,500.00 effective from 1<sup>st</sup> July, 2019. This means that beneficiaries of all members who passed on from 1<sup>st</sup> July, 2019 will receive an Additional Death Benefit of \$1,500.00.

### **2. Review of Commutation Limits**

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The Commissioner of Insurance and Pensions has reviewed with immediate effect, the pension amounts commutable from \$600 per annum to \$6,000 per annum. This means that all current and future pensioners with pension amounts less than \$500 per month or \$6,000 per annum are allowed to commute their full pensions, on application.

### **3. Review of Preservation Limits**

The Commissioner of Insurance and Pensions has reviewed with immediate effect, the preservation limits from \$500 to \$6,000. This means that any member who leaves employment due to resignation or dismissal is now allowed to commute employer contributions provided they are below \$6,000. This also applies to all preserved members who left employer contributions below \$6,000 with the Fund prior to this review. This means that any member with preserved amounts less than \$6,000 can now claim their retained amounts in full.

### **4. Review of Interest Rate Charged by the Fund on Contributions Arrears**

You are advised that effective from 1<sup>st</sup> January, 2020 the interest rate levied by MIPF on contributions arrears has been reviewed. This review is in compliance with Section 13 (1) c of the Pension and Provident Funds Regulations, Statutory Instrument 323 of 1991 [as amended] which requires that all Pension Funds charge interest on all outstanding contributions, at a rate equivalent to the unsecured overdraft lending rate charged by the respective Fund's bankers.

In light of the regulatory requirement, the Insurance and Pensions Commission (Regulator) has emphasised the need to protect member pension values by charging a market related interest rate. Therefore, the Regulator has advised the Fund to strictly comply with the above provisions when charging interest on overdue contributions.

This therefore means that from January 2020 going forward, the Fund will be indexing the interest rate charged on contributions arrears to the obtaining unsecured overdraft lending rates charged by its bankers. Currently, the Fund's Bankers are charging 35% per annum. This means that all outstanding contributions as at 14<sup>th</sup> February, 2020 will accrue interest at a rate of 35% per annum, compounded monthly.

Prior to this review, the Fund has been charging a concessionary interest rate of 9% per annum which was approved by the Insurance and Pensions Commission in 2014 after taking into account the challenging operating environment that affected the viability of the mining entities in particular. However, the rate of 9% has been overtaken by events especially in light of the resurgence of hyperinflation which has resulted in an increase in lending rates in the market.

The Fund will continue to monitor the environment and do its best to cushion its members against the adverse effects of inflation.

Yours Faithfully,  
**Mining Industry Pension Fund**



**K. GATSHENI NDLOVU (MS)**  
**PRINCIPAL OFFICER AND CHIEF EXECUTIVE**