

06 February 2009

THE MINE MANAGER/SECRETARY/W/COMMITTEE CHAIRMAN



CIRCULAR TO THE MINES

Mining Industry Pension Fund
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Dear Sir / Madam

IMPACT ON THE FUND OF THE 2009 BUDGET & MONETARY POLICY STATEMENT

1. Introduction

The 2009 National Budget, First Quarter Monetary Policy Statement and the resultant liberalisation of the economy have brought serious challenges for the MIPF. In particular the slashing of (12) zeros from the local currency and the liberalisation of the exchange control have had an immediate impact on the Fund.

2. Pensions & Other Lump Sum Payments

The slashing of (12) zeros virtually wipes out all the financial data. For example, all the 6 301 pensioners' individual monthly payouts are reduced to less than Z\$0.01. The total payroll has been reduced to Z\$0.68. The same effect will apply to any lump sum amounts payable to individuals. Just to further illustrate the impact, most individual contributions to date have been reduced to less than Z\$0.01. This means the Fund cannot pay these negligible benefits. As a result, all payments have been suspended.

However, this does not mean that members and pensioners are not entitled to benefits because their contributions were invested in valuable assets that are still in existence. To address this development, the Fund in conjunction with Actuaries is investigating viable ways of delivering to beneficiaries this value which will be disbursed as before.

3. Actuarial Valuation as at 31 December 2008

The valuation as at 31 December 2008 is due. Having regard to the recent developments, it will be pointless to incur the cost of valuation of Z\$ denominated assets and cash-flows. No level of increase will bring the benefits to a reasonable level. Also, as the valuation is dependant on the value of assets and cash-flows, the Actuarial Valuation as at 31 December 2008 has been deferred until such a time that the Fund's position is clear in terms of the US\$ value of assets, dollarisation of the ZSE and US\$ inflows from contributions and rentals.

4. Prescribed Asset Ratio – Compliance

The Monetary Policy Statement is very clear in that Pension Funds will be required to invest in prescribed assets denominated in US\$. The Government will raise part of its forex requirements from the issuance of "*foreign exchange denominated instruments*". By implication, Mines will be expected to pay contributions in US\$. Please also, note that the Budget, Section (175) states that "*Pension Funds collecting contributions in foreign exchange will be obliged to hold 10% of their foreign exchange assets in Prescribed Assets denominated in foreign exchange.*"

5. Collection of Contributions

The sending of Z\$ denominated invoices to mines has been stopped with effect from 02 February 2009. All contributions are expected in US\$.

6. Members' Benefit Statements as at 31 Dec 2008

The processing of 2008 Benefits Statements has been suspended because cumulative contributions have been wiped out by the slashing of (12) zeros. A new benefits base will be advised by the Actuaries.

7. Communication with All Stakeholders

In the interest of accountability and transparency, relevant communication has been issued to the Board of Trustees, Chamber of Mines, Mineworkers Union, Pensioners and Commissioner of Insurance & Pensions to address their varied concerns. Professional advice on the benefits payment is sought on an ongoing basis from the Fund's Actuaries.

RETIREMENT OF THE PRINCIPAL OFFICER

The Principal Officer, Mr Edwin Chidzonga, retired after reaching normal retirement age on 31 December 2008. A suitable successor has been identified and will commence work on 1 April 2009. The departure of the Principal Officer has not disrupted operations and the usual year-end processes progress. The external audit is nearing completion.

YOURS FAITHFULLY



K. G. NDLOVU
ACTING PRINCIPAL OFFICER