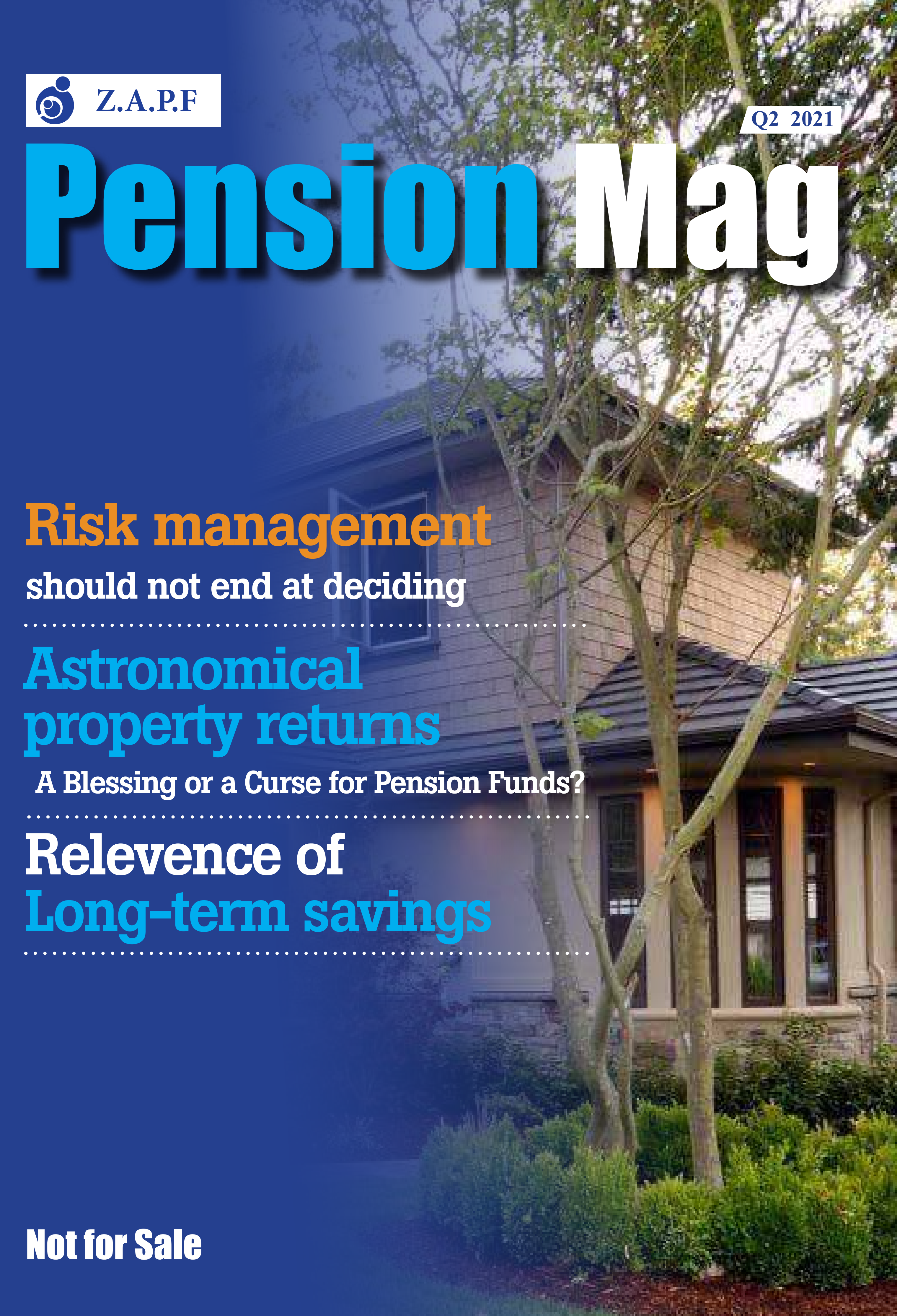
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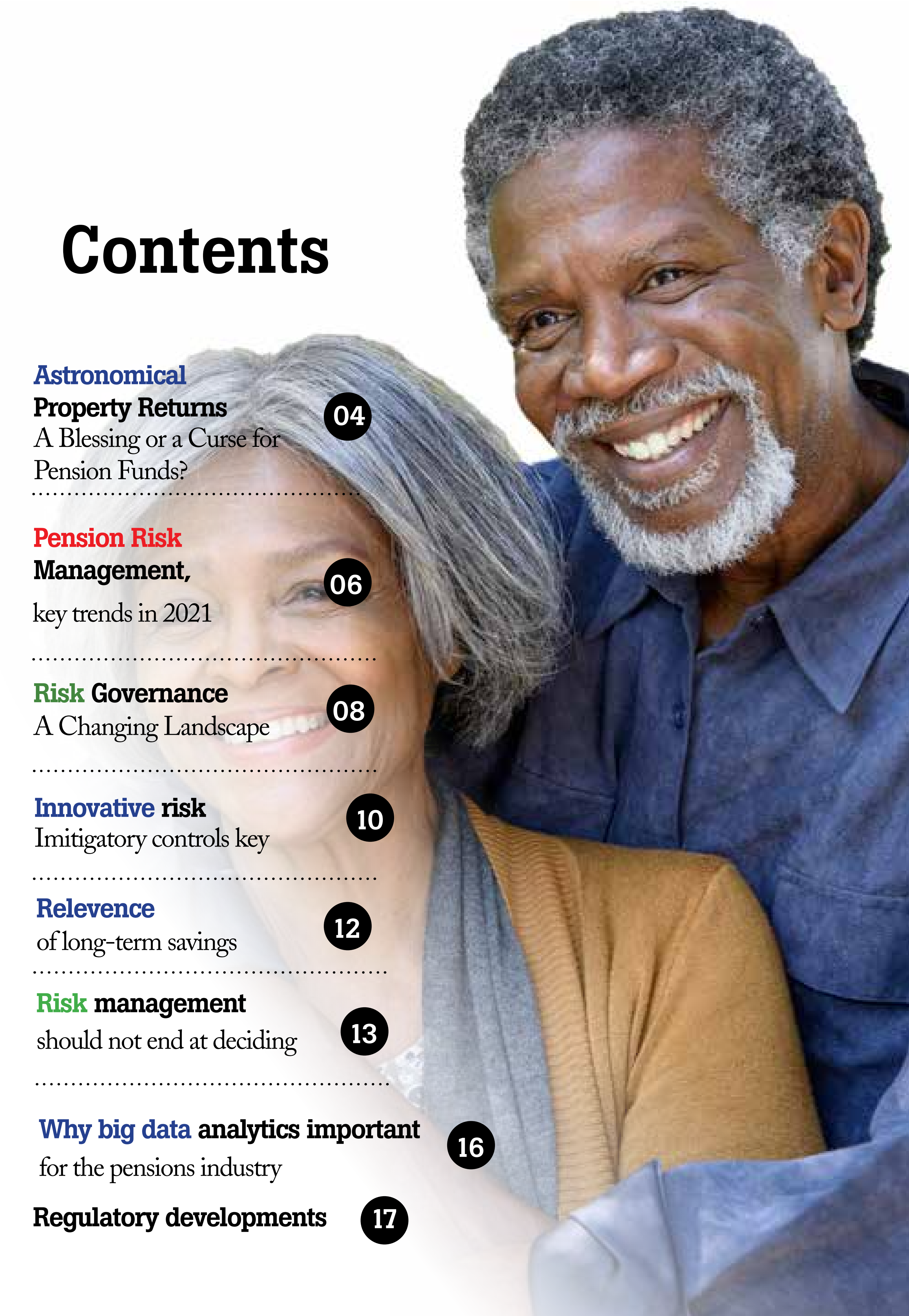

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DIRECTOR GENERAL'S *Note*

Dear Reader,

Welcome to the 2021 second edition of the Pensions Magazine.

The Covid-19 pandemic is still with us. The reality is that times have changed and there is no chance of going back. The emergency of Covid-19 has compelled businesses to embrace technological innovations and all that comes with it.

The duo (Covid-19 and technological innovations) imply that risk has become inevitable as business try to move from traditional means of doing business and embrace the new norms.

Pensions funds haven't been spared and in Zimbabwe the challenges have over the past been exacerbated by policy inconsistences, especially those that evolve around currency. It has thus became imperative for businesses to work on remaining afloat.

This can be ensured by having pensions funds come up with growth strategies that are in line with the challenges they are facing.

A turbulent economic environment aggravated by Covid-19 and emerging risks has not made things easier for pension funds.

It is against this background that we came up with the theme: **Pension Risk Management, key trends in 2021.**

A look at the key trends will help unveil new pathways pension funds should navigate in these trying times.

As risk is the effect of uncertainty on an organisational objective which can either be negative or positive, pension funds thus need to adjust accordingly.

Pension fund risk management should continue to be the epitome of all pension fund functions.

While, the pension industry has faced momentous challenges, from the new regulation and governance standards, taxation rules, risk management, dynamic investment, performance and outsourcing just to mention a few, globally pension funds are now adapting to the challenges, these trends are now reshaping the industry. This edition will look at why big data analytics are important for the pensions industry among other issues.

Data analytics is the science of analysing raw data in order to make conclusions about that information. The Pensions Industry can use data analytics to make better business decisions and help analyse client trends and satisfaction, which can lead to new and better products and services. Applying data analytics ensures that the industry can have value creation by giving pensioners the advantage of pensions insights.

We also look at astronomical property returns as a blessing or a curse for Pension Funds as well as how pension funds can govern risk.

In this edition we feature an expert Q and A on risk issues with the hope that the industry will fully embrace the challenging times.

Lastly, we get an update from our regulator, Insurance and Pensions Commission (IPEC)

Happy Reading,

Stay safe, STOP COVID-19 #maskup

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Astronomical Property Returns

A Blessing or a Curse for Pension Funds?

By Gandy Gandidzanwa and Itai Mukadira

Introduction

Following the re-introduction of the Zimbabwean dollar, property investments have experienced significant growth in value and this has generated astronomical investment returns for pension funds.

Some funds have even printed investment returns of more than 5 000% in the past two years to 31 December 2020. While the astronomical growth may be within norms of hyper-inflationary times, it comes with serious challenges for pension funds. For instance, a few of the big funds, which have been in existence for a considerable number of decades now, have huge allocations of their assets in direct property holdings. These properties have since been revalued to levels where they now exceed the set 50% statutory maximum limit for pension funds allocation to the asset class.

Are these astronomical property returns real, or a mere fool's gold?

In the last few years, there has not been much activity in the large commercial property market. The recent currency changes have also resulted in there being not that much reliable data in Zimbabwean-dollar terms on which to base property prices. The estimation of property fair values has thus been made, at best, quite close to simply intelligent guestimates. It is quite difficult to imagine how exactly the price that would be agreed on the disposal of a large commercial property between two informed parties can be accurately arrived at in the current economic environment.

Property valuation risks

The main risk with property valuations is incorrectly valuing the properties. For pension funds, where these values are relied upon for assessing funding levels, pension increases, and more recently, revaluation gains in line with IPEC's Currency Conversion Guideline (the Guideline), the risks immediately become very real. While the focus is usually on avoiding understating values, the risk of overstating the values has much more severe consequences for the funds. For DB funds especially, understating the values, though problematic, may be tolerated as it results in prudent valuations of assets and consequently, cautious financial soundness assessments. In the current hyperinflationary environment, it also results in the awarding of prudent pension increases and revaluation gains.

Of course, the incorrect valuations affect different types of pension funds differently. With DBs for instance, just like with investment risk in general, wrong property valuations are largely the problem of the sponsoring employer. In DCs, on the other hand, they are the problem of the members themselves as it is the members who bear all the investment risks. However, by requiring the distribution of revaluation gains to members, the IPEC Guideline has effectively made DB schemes de-facto DC arrangements. This situation will persist until cumulative salary and pension increases have surpassed cumulative investment returns and revaluation gains.

> **This situation will persist until cumulative salary and pension increases have surpassed cumulative investment returns and revaluation gains.**

The large and indivisibility nature of property makes property sales difficult, causing serious liquidity challenges for pension funds. The impact of revaluation gains and the consequent pension increases on cash flow requirements, arising from the ever astronomically increasing property values, is worsening pension funds' liquidity challenges. The distribution of property unrealised revaluation gains is pushing the need to extract liquidity from an illiquid asset. So, apart from the deficit issues, the greatest threat to the survival of the large pension funds is actually the liquidity challenge arising from the hyperinflation-induced pension increases and revaluation gains distributions. All this, happening at a time when most employers are struggling to pay contributions.

The liquidity challenges are certainly exacerbated by the large funds' overexposure

to direct property. The large property rental voids and low occupancy rates, compounded by the failure to collect the already very low rentals on time, just worsens the liquidity positions of these funds. Most pension funds with significant investments in direct property are not generating significant cashflows from rental income relative to their liquidity needs. The investment earnings from property are

coming mostly from capital appreciation which, of course, is highly inflated. Rentals are, in the meantime, not adjusting to inflation at the same rate as capital appreciation.

As things are, the investment returns coming from property revaluations are not being currently channelled towards improving the financial position of DB pension funds. On the contrary, they are simply being passed on to members, thus not going towards reducing the deficits, or alternatively, increasing the surplus. In fact, they are actually magnifying the deficit, or have crystallised the surplus, reported as of 31 December 2018, the Determination Date.

Whilst there is nothing to prove any untowardness in the valuation of properties, any deliberate overstating of property values would not serve much purpose apart from compounding the woes of pension funds, DBs especially.

It is interesting also to note that the going prices of listed property counters, relative to the fair values of their underlying properties, show huge discounts. Furthermore, the low rental yields make some of the property values even questionable. One could argue, of course, that it is just a result of a temporary subdued environment, and not necessarily a reflection of the actual long term property fortunes. A contrary view though would be that the price of any asset should reflect its income generation or growth potential and that any valuation approach divorced from that notion and approach would be incorrect.

While the large pension increases emanating from revaluation gains per the Guideline are a huge reprieve to pensioners, as they cushion them from the devastating effects of inflation, the sustainability of the increases, given the liquidity challenges, remain a real point of concern.

It will not be surprising that, due to liquidity challenges, some funds will be forced to hold back on pension increases in the near future. The unrealised fair value adjustments may not actually be realised while pension funds have already locked them in by awarding pension increases. A strong question then arises, should prices correct downwards, would this mean pension funds reduce pensions-in-payment? The issue of negative returns is certainly not far-fetched as it can happen in forced sales when funds are put under pressure to provide liquidity through asset disposals. It is a real risk to all funds that are overly exposed to property investments.

In the event of large-scale retrenchments too, requiring significant benefit pay outs for instance, it will be critical that funds consider the implications of paying out the benefits based on possibly overstated property values which may not be realised on disposal.

DCs have their own unique issues. Ideally, they would require frequent valuation of properties for the purposes of distributing investment returns. This is a challenge for most funds especially those overly exposed to direct property. IPEC, in Circular 24 of 2020, encourages pension funds to calculate and allocate revaluation gains more frequently. However, it is neither strictly practical nor cost-effective, to expertly value properties on a more frequent basis than once a year. In any case, the accuracy of such valuations is likely to be questionable. Instead, most pension funds in such a predicament, would resort to approximate methods. One such approach is adjusting prior years' US-dollar values based on the performance of the exchange rates over the period. The appropriateness of any approximations is left to the trustees' judgement. Certainly, the use of such approximations cannot be without consequences for the funds.

Does overexposure to property remain ideal in the current environment?

While the overexposure to property holdings maybe a sound strategy in a hyperinflationary economic environment, it may prove to be a curse to some pension funds. Liquidity challenges are no longer just a perceived risk, but a real problem. The fallacy that higher property values could present better financial positions for DBs is long gone. All funds have effectively been made to look DC-like and any investment-related revaluation gains are immediately being transferred to members and not necessarily affecting the funding position of funds. Putting it rather crudely, over-inflated property values in DBs will not be to the benefit of the sponsoring employer as would have been the case ordinarily. Rather, they are going to leave employers with never imagined pension fund liability commitments.

Rational mindset

Due to the sentimental and emotional values generally ascribed to property holdings, we are not naive to the fact that to question any property investment strategies or valuation is likely to elicit serious descent from property holders and industry players. It will, however, not solve the challenges huge property holdings are causing to pension funds. It is therefore important for industry stakeholders to look at all these issues in a rational way and hopefully come up with practical and acceptable solutions. The conflicting needs and expectations of the different stakeholders in pension funds are likely to make any such attempts difficult, but certainly, it is a conversation that need to be had.

Conclusion

As always, we make our humble submissions in the spirit of soliciting forward-thinking conversations as we all seek to drive our industry into one that can more ably deliver on its promises to our people. We continue to stand ready to engage with like-minded practitioners in the search for meaningful solutions to what befalls us as an industry.

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Pension Risk Management,

key trends in 2021

By Tendai Panaishe

Introduction

Risk and risk management has increasingly become important in the management of pension funds with the prominence being touched off not only by the critical role pension schemes play in financial markets but also by their increasing importance as a source of retirement income for individuals. (OECD/IOPS, 2011).

Before we look at the key trends in pension risk management, it is important that we define what risk is.

Arnott, Bernstein and Hall (1991) in their paper "Defining and Managing Pension Fund Risk" argued that it is critical to be able to accurately define risk as this will determine how we can deal with or manage it.

It is indeed accepted that the word risk can have different meanings depending with the field and context.

In this article, we will define risk in the context of pension fund management.

Having defined risk, we will then look at what risk management entails before looking at the key trends for 2021.

What is Risk?

Many authors have attempted to define risk and as alluded to earlier, risk has a contextual meaning for example, CIMA (2005) defines risk as "a condition in which there exists a quantifiable dispersion in the possible outcomes from any activity" This definition lends itself to being applied in various fields though technical. Certainly, pension funds have possible outcomes which have quantifiable dispersion therefore they are also susceptible to risk.

According to The International Federation of Accountants (IFA), (1999) risk can be defined as "Uncertain future events which could influence the achievement of the organization's strategic, operational and financial objectives."

Pension funds have strategic, operational and financial objectives whose future achievement can be influenced by various factors economic and otherwise.

In the context of pension funds, Arnott et.al (1991) posit that "Corporate executives have traditionally defined pension fund risk in terms of a tradeoff between risk and return on the assets built up against their fund obligations. This actuarial approach to risk, will not be the one pursued in this paper. Rather, risks affecting pension funds in line with the definition proffered by the IFA will be explored. This article will consider the trends in so far as the market and related risks are likely to pan out in 2021 and what pension funds need to do in order to manage such risks.

Pension Fund Risks in 2021

The year 2021 has seen not only Zimbabwe but the world over grappling with new strains of Covid 19 outbreaks. This has put some strain on productivity and performance by companies thereby threatening their ability to pay salaries and hence pensions.

In their report entitled, "Good Practices for Pension Funds' Risk Management Systems, (2011)", the OECD identifies broad categories of risks which pension funds face. In the context of the Zimbabwean market, we can group these risks as follows:

Category of Risk	Risks
Financial	•Interest Rate • Investment or Market •Concentration •Counterparty or Default •Funding and Solvency •Liquidity •Asset Liability Mismatch •Acturial •Inflation •Liquidity •Asset Liability Mismatch • Acturial • Inflation • Liquidity
Regulatory	• Compliance • Legal
Governance	•Conflict of Interest •Knowledge Gaps •Contagion and Related Party
Operational	•Data Security •Internal and External Fraud •Benefit Claims

Risk Outlook

The Zimbabwean economy has shown some positive signs of recovery and relative stability. This then gives a moderate overall risk outlook in the short term. However, Pension funds must look at specific risks especially on the financial risk as well as regulatory categories as they have individual risks that are of concern.

Financial Risks

Pension funds need to be wary of market risk as well as concentration risks. The rally that we have witnessed on the stock market presents good returns that have helped pension funds but it is possible that any correction may result in loss of value. It is therefore important that pension funds crystalise and such gains by investing in other stable markets.

Although it is fund specific, one risk that Pension Funds must look out for in 2021 is concentration risk. Pension funds must look at ways to balance their portfolios. The temptation to concentrate on stocks for example is very high given the great returns issuing out of that market. However, a market turn will be devastating to the fund. Below we present an outlook for financial risks.

Key:

Very High	High	Moderate	Low	Very low

	Low	Moderate	High
Interest rate			
Investment or market			
Concentration			
Counterparty or Default			
Funding and Solvency			
Liquidity			
Asset Liability Mismatch			
Acturial			
Inflation			
Liquidity			
Overall			

Liquidity risk, though moderate, Pension Funds need to closely monitor it. This risk is increasing due to tight monetary policies owing to corrective monetary response during the second half of 2020 as well as Covid-induced global economic contraction effects. Due to the tight liquidity conditions in the market, it is important for board of trustees to ensure that counterparties are closely monitored. Through the risk committee of the fund, it is important to come up with robust counterparty limits using such models as the CAMELS.

Regulatory Risks

The year is likely to see an increase in regulatory oversight and enforcement. It has been on record and justifiably so that many pension funds found it difficult to comply with regulatory Prescribed Asset (PA) ratios due to the poverty of profitable Pas in the market. We however have seen an increase in Pas with reasonable returns in the market. Pension Funds must therefore manage regulatory risks by ensuring that they comply with PA ratios and avoid sanction from regulators. Compliance risk is therefore regarded as high.

	Low	Moderate	High
Compliance			
Legal			

Governance Risks

The incidence of governance risks is considered very low in 2021. This is due to the plethora of training that has been given to Pension Fund Trustees thereby to a large extent addressing the knowledge gaps in pension fund administration and management. Laws relating to dealing with related parties are adequate in terms of exposure to related parties, which in the past has been a major risk where the sponsor faces viability problems. Pension funds need to take note of the possible conflict of interest by board of trustees and need to ensure policies to deal with such are in place. Any conflict of interest needs to be declared and managed accordingly.

	Very Low	Low	Moderate	High
Asset Liability Mismatch				
Knowledge Gaps				
Contagion and Related Party				
Overall				

Operational Risks

The incidence of operational risk cannot be wished away. Pension funds need to be wary of distortions in valuations as they present fertile ground for fraud and or errors. Pension funds need to ensure they employ robust business continuity and disaster recovery plans. Where they have third party service providers, their business continuity plans must dovetail with those of the pension fund and they must be availed to the pension fund. The same applies to data handling policies.

	Very Low	Low	Moderate	High
Data Security				
Internal and External Fraud				
Benefit Claims				
Overall				

Conclusion

Pension fund risk management should continue to be at the center for all pension funds.

The introduction of a risk management subcommittee for pension funds was long overdue.

They should constantly look at and advise the board of trustees on the above risks. One key weakness identified with too many a pension fund has been their unbalanced portfolios which then expose the fund to market volatilities. Regulators need to assist fund value preservation by allowing pension funds to undertake cross border investments albeit at reasonable limits. While pension funds may put their eggs in different baskets locally, alas, the baskets will all be in the same bus. It is therefore important to ensure a portion of the portfolio can be invested off shore.

Panaishe is the chief dealer at FBC Bank (Treasury Division) he can be reached on Tendai.Panaishe@fbc.co.zw

The Insurance and Pensions Commission on Contribution Arrears

The continued increase in pension contribution arrears to ZW$2,2 billion as at 31 March 2021 from ZW$559 million as at 31 December 2019, militates against efforts to ensure members receive their full benefits and restore confidence in the pensions sector.

To this end, the Commission urges pension fund trustees to comply with Clause 27 of the Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms, which requires them to take all necessary and lawful actions to collect contribution arrears from employers.

This shall include, but not be limited to, imposing liens on assets, attaching and selling assets, initiating bankruptcy procedures, and negotiating Certified Repayment Agreements with the sponsoring employers.

For any enquiries, you can contact the Commission on the following details:

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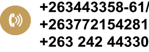

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Risk Governance

A Changing Landscape

By Coronation Risk Advisors

The Global Pension Fund industry has revolved over the past decades facing many momentous challenges, from the new regulation and governance standards, taxation rules, risk management, dynamic investment, performance and outsourcing just to mention the few.

However, globally pension funds are now adapting to the challenges, the trends now reshaping the industry.

As they focus for the future to succeed in today's complex investment environment, pension fund will need to develop strategies in each of the following five areas:

1. **Manage risk budget across the portfolio**
   Invest in specialist tools and capabilities to improve analysis across multi-assets portfolios.
2. **Master the new investment mix**
   Learn how to blend alternative investments with low-cost strategies to strike a new balance on risk and return.
3. **Think strategically on insourcing**
   Understand where your in-house talent can add more value. Create the operating model to optimise in-house asset management.
4. **Develop strategic partnerships with key managers.**
   Many pension funds are concentrating on developing fewer but deeper relationships with their asset managers.
5. **Professionalise governance**
   Ensure professional oversight on risk and governance. Make better use of expert trustees and /or specialist advisors.

It is on the final point of governance that the Insurance and Pensions Commission (IPEC) Circular 11 of 2020 becomes relevant to the Zimbabwean pensions industry. Specifically, the regulator issues Risk Management and Corporate Governance Guidelines for the pensions industry. The commission considers, "Risk Management and corporate governance as central to the safety, vibrancy and sustainability of the pensions industry for the protection of rights, interests and benefits of fund members" (IPEC).

Central to this guideline are five building blocks of a risk management system. Specifically:

- A documented and board approved risk management framework
- Board and senior management oversight
- Policies and procedure manuals on the key activities of the entity
- Control and monitoring mechanisms which are to be adequate and
- Robust systems providing Information,

Globally pension funds are now adapting to the challenges, the trends now reshaping the industry.

reporting and communication.

The guidelines would take different forms in the implementation, depending on the nature, size and complexity of the regulated entity.

For example, a pension fund administrator and an insured fund may have different forms of risk management systems as long as they meet the overall goal of safety, vibrancy and sustainability stated above.

The area of Risk Governance, in particular, has seen some change in 2021. As entities seek to establish effective risk management systems, risk governance becomes a critical building block.

This article explores some observations in respect of risk governance.

Greater involvement of trustees in Risk Governance

The Risk Management and Corporate governance guideline is unequivocal in risk ownership. It explicitly states: "The Board of Trustees…. is ultimately responsible for the risk management system." To do so, means the Board of Trustees need to have a greater involvement in the management and oversight of risk.

One way of this is taking shape is the greater prominence of risk as an agenda item on Board of Trustee meetings.

Trustees have been dedicating more time, energy and focus on the management of risk in their organisations, the gaps which may exist and the steps necessary in order to achieve regulatory compliance as well as a robust risk management system.

This is in contrast to leaving service providers to manage risk on behalf of trustees. While administrators or asset managers have a role to play in respect of risk, the ultimate responsibility would like with the Board of trustees and therefore oversight would need to come from the top. A positive result of the guideline has thus been greater involvement of the Board in risk governance.

Set up / Review of Board Committees

Many pension funds had investment committees which advise the Board in respect of investment decisions on behalf of the Fund. Investment committees serve the role of safeguarding and growing the assets of the fund in the face of market risk including interest rates, inflation, equity prices or exchange rates.

However, the Risk Management and Corporate Governance Guideline specifically calls for the formulation of Board committees including

- Audit
- Risk management and compliance
- Finance and investment.

Many pension funds have made decision on committee formulation based on the number of trustees currently sitting on the Board, as well as the availability and effectiveness of current board committees.

A common trend has been the combination of Board committees, at least at inception to enable availability of trustees to risk issues.

For example, some pension funds may suggest a risk management, compliance, and finance and investment committee with combined functionality. Alternatively, some funds suggest a risk management, compliance and audit committee with a view of similarity in responsibility.

The decision making on Board committee formulation is informed by the specific context of the pension fund involved.

Control Functions

IPEC States: "The fund or fund administrator shall establish and maintain the following control functions-

a) Risk Management function,
b) Compliance function, and
c) Internal Audit function."

Provision is made for combining risk management and compliance functions. In 2021, many large regulated entities such as administrators or industrial funds have sought to appoint full time employees to the control functions as stated. As a result, more expert resources are dedicated to the assessment, treatment, and management as well as reporting of risk within an entity.

The appointment of these control functions is done with consideration to the qualification, skills, experience and suitability of the pension fund given its own context.

Outsourcing of control functions

Most pension funds utilise the services of asset managers with a view of the complexity and impact of market risk on the assets of the fund.

In 2021, many pension funds are considering the merits of outsourcing the provision of risk management, compliance and internal audit function with a view of ensuring proficiency in risk management services.

Similar to outsourcing arrangements of other pension fund asset managers, some companies are positioning themselves as experts to pension funds, providing specific services to a range of clients.

These would leverage industry knowledge and expertise, while providing tailored solutions to the context of the client.

A concern, in this respect, has been the cost of outsourcing services. Many Boards of trustees do require multiple quotations from various service providers so as to ensure value in respect of cost and quality of service. However, the overall impact on the expenses of the Fund are front of mind for Boards of pension funds.

Consideration of Umbrella Funds

Ensuring regulatory compliance may have a significant cost implication on the operations of the fund, and therefore affect the assets and potential benefits to contributors. For many self-administered pension funds, an assessment of the risk management governance requirements and cost leads to a consideration of joining an umbrella fund.

By joining an umbrella fund, contributors and beneficiaries would share the cost of expert employees or outsourced service providers and therefore leverage on economies of scale. The cost, per member, of a heightened an improved risk management system would be lower and could appeal to certain Boards of trustees.

Conclusion

Change is a universal constant. Changes in risk governance are occurring on a global and local scale and are driven by a myriad of factors. Boards of trustees are therefore considering the options and merits of change, guided by a desire to safeguard the rights, interests and benefits of fund members.

The dynamic risk landscape (such as the impact of the global pandemic) as well as regulatory requirements (such as the Risk Management and Corporate Governance Guidelines of the Pensions Industry) are driving the evolution of risk governance and risk management systems.

Innovative risk

Mitigatory controls key

Wadzanai Phiri

As the business environment becomes uncertain, risk has become inevitable. Exacerbated by the emergency of Covid-19 and technological innovation which are pushing for new business models, it has become imperative for pension funds to relook risk .

In this issue, **insurance 24** (I24) picks the brains of a risk expert, **Wadzanai Phiri** (WP) who is the CE of Coronation solutions.

Below are the excerpts of the discussion:

I24: What's your comment on pension risk management in Zimbabwe?

WP: The pension industry in Zimbabwe is composed of just under 1000 registered occupational pension funds serving just less than a million membership in 2020. The regulator, IPEC, issued a guideline for regulated entities in the insurance industry to establish sound risk management framework in order to identify, assess, mitigate and manage various risk exposures that they face in conducting their day to day business activities as well as well as employ good corporate governance.

The Guideline was introduced in order to address several weaknesses that were highlighted in the Commission of Inquiry on the Conversion of Pension Funds from ZWL$ to US$ dollar.

Most pension funds faced a number of challenges ranging from excessive operating costs, high pension arrears and poor corporate governance practices. It is pleasing to note that most pension funds have taken heed and are implementing robust risk management practices benchmarked against internationally recognised frameworks such as ISO 31000 and COSO.

Enterprise risk management will assist pension funds to create, protect and enhance value as well as increasing their chances of meeting their strategic objectives. This will ultimately benefit pension members, pensioners and help to build the lost trust in the industry.

Given the landscape, you will find that the focus

has rightly been on investment and regulatory risks. Because of the rapidly changing external environment pension funds end up managing risk in an informal and fragmented manner. That is, some risks are identified, managed and reported but this not done in a structured and systematic manner in the vast majority of cases probably because many holes open at the same time.

124: Do you think pension funds in Zimbabwe are well placed to mitigate risk?

WP: Yes. I believe that what is measured can be properly managed. The recent developments in the pension industry are indicating that most pension funds continue to improve their risk management practices and embedding effective controls in their internal processes. Enterprise risk management is not an event achieved overnight but it is a process that requires commitment from all key stakeholders such as Board of Trustees, Regulators, and Government.

Sponsoring employers, pension fund advisors and most importantly the pension member. It must be pointed out that the risk landscape is constantly changing and as such requires innovative risk mitigatory controls to remain in business.

124: What are some of the measures that pension funds should put in place to mitigate risk?

WP: I think in Zimbabwe the biggest risk we are facing is that pensions are not well understood or shall we say not well appreciated, that's quite understandable. A good starting point is to increase the level of engagement with Sponsoring Employers and pension fund members. This will surely generate and bring to the front key issues that pension fund advisors should focus on.

Pension funds can utilize internal controls to mitigate risk. The use of policies and procedure manuals can improve internal processes so as to improve risk management. Adoption of Three Lines Model is recommended. For example, many pension funds can use procurement policies or procedures to manage the expense experiences of the fund and guard against fraud risk or agency risk. By having clear guidelines on how procurement of goods and services are done, the fund may increase the value derived from its expenditures.

124: Are there any regulatory issues that you feel need to be addressed for pension funds to be able to manage risk?

WP: The Risk Management and Corporate Governance Guidelines for the Pensions Industry released by the Insurance and Pensions Commission in 2020 is a good starting point in the overall management of risk. These Guidelines are quite comprehensive in their scope and provide a good framework for pension funds to operate within.

The pension industry continues to engage various Regulators and the Government in order to influence regulations that develop the industry and make it globally competitive. It is encouraging that the main regulator, IPEC, has been listening to the industry and incorporating some of the suggestions proposed by the industry. The new regulatory directives issued by the regulator are meant to strengthen the industry.

Effective resolution of the legacy issue of multicurrency pension conversions will help restore confidence in the pension industry which is currently very low. Frequent changes in government policies are in some instances detrimental to the effective operation of the long term nature of the pension industry.

124: What is your comment on how the currency inconsistencies in Zim have complicated issues of risk management?

WP: Unfortunately, most of these currency changes have only led to a loss in value to the ultimate beneficiary and it is very difficult to explain what happened as you know most of these members are not gurus in pension fund issues. Trustees are widely concerned by the impact of currency inconsistencies on their pension fund assets. Considering the loss of value which occurred in 2008 -2009 upon currency conversation, there exists widespread apprehension.

For example, consider domestic debt for Zimbabwe stood at approximately US$8 billion in early 2019. Now, after the exchange rate has fallen to US$1: ZWL$84, that domestic debt could be diluted to be worth only about US$95 million. It should be noted, this domestic debt included significant holdings of treasury bills and other debt instruments by pension funds.

Such systematic occurrences of market risk complicate the investment strategies, approach and risk management by pension funds.

In addition, many pension funds (and other corporate entities) received adverse reports on their

Audited Financial Statements for the year ended 31 December 2019 and 2020 specifically because of the difficulties in accounting due to currency changes. By extension, many stakeholders may find analysis of financial statements difficult. This necessarily complicates risks associated with the financial statements such as liquidity or solvency.

124: Ministry of finance mandated pension funds to hold AGMs, what is your comment on this in terms of managing pension funds?

WP: Well, the issue is really about member interest and trustee activism when it comes to issue of pension funds. So yes, AGMs are one way in which reporting to pension fund members may occur. They would increase the level of transparency and disclosure for the funds. However, let us also remember that Trustees are supposed to represent member interests of the fund. This would include the responsibility to report back to key stakeholders on a regular basis.

As such, the value of AGMs may need to be assessed against the alternative of effective trustee and member communication. Where effective Trustee and member communication exists, the mandating of AGMs may unduly increase administrative costs to the pension funds and by extension, the members.

124: How then do we talk about risk management in the face of COVID-19?

WP: Covid-19 has heightened the need for risk management. The negative impact on operations, income, investments, or mortality experiences from the pandemic are not separate from risk.

Risk (uncertainty) is multiplied by Covid-19. As such, greater urgency, focus and execution of risk management is necessary for pension funds at this time. For example, robust business continuity for administrators and service providers of pension funds would enable the accessing of benefits by pensioners even where office access restrictions exist.

124: Going forward, what are your key recommendations for pension funds in order to properly manage risk in 2021?

WP: Risk management becomes a living culture in a fund when members and trustees become aware of its importance so communication with members and training of trustees should be at the core of a risk management strategy going forward. There are several providers in the market with good orientation programs for trustees to ensure continuous professional development of the custodians of our savings. Pension Funds should manage risk in a deliberate and systematic way. Enterprise Risk Management specifically calls for a holistic approach to risk management including the interrelated nature of various risks.

As recommended by the Risk Management and Corporate Governance Guidelines for the Pensions Industry, entities must have a documented and Board approved Risk Management Framework. This document would foster a risk management system that is well integrated into the organisational structure, culture and in the decision-making process of the pension fund.

Wadzanayi Phiri is the Founder and CEO of Coronation Solutions, a leading management consulting practice providing Actuarial, Enterprise Risk Management, Financial and Corporate Advisory Services.

# of long-term savings

By Raphael Mubaiwa

Human beings the world over are always faced with two key risks, that is, early death and old age.

Early death or premature death refers to death that happens when one still has obligations to his or her dependent children, and this risk is mitigated by having the bread winner's life assured through an insurance policy, either at personal level or via group life assurance employer.

Old age risk, is risk associated with one having a long life such that one runs out of money before the expiry of one's life.

This is the risk that is mitigated through pension savings and other saving channels depending on one's own circumstances taking into account longevity, lifestyle and other considerations.

There is the impression that pension funds are no longer delivering on the promise of providing retirement income. Before coming to this conclusion, people must consider factors that determine capital or income adequacy.

These factors include how much is being set aside, the period one has been saving and the investment returns, or interest earned by the savings or investments.

People have basically been focusing on return earned without consideration of how much we are setting aside and how we have been setting aside the money for retirement.

The contributions into one's occupation pension fund are a function of one's salary.

For a standard pension fund with a total contribution rate of 20% of salary, it takes approximately 5 years to realise one year's salary.

This means that for one who would have worked for forty years, the savings would only cover eight years on one's income. This scenario becomes worse due to the introduction of non-pensionable earnings which on the minimum constitute 80% of one's income. Working at such a company, at the same contribution rate, one would take 25 years to replace income received in a year.

Ultimately an individual may be earning more income but making contributions on a small proportion of that income.

Advice

It is advisable that people must consider having more sources of income when they retire. This may be achieved by saving through different means, that is, voluntary pension contributions, buying shares, business ventures, building or buying houses for renting out or other income generating projects. These must be financed through money that we are currently channeling towards consumption.

Conclusion

Whether one is a member of a pension fund or not, people must still save. Pension funds are not the problem, but unfortunately, they are the only savings that most people have, which is not enough. Pension savings have always been a stable investment option, but they must frequently be reviewed in line with prevailing market conditions to remain relevant. The pension industry is also very key to the development of the economy both as a source of funds and as employer and hence has a significant multiplier effect.

Mubayiwa is Old Mutual EB Consultancy Manager Offers Advice on Saving for Retirement

Risk management
should not end at deciding

By Samson Masikati

Introduction
Risk management has remained a topical issue across various industries in the whole world.

Since the financial crisis of 2008, many regulations such as the Basel accord, the Solvency and risk management standards have been developed.

Pension funds which represent an integral part of the financial services sector have not been spared in management of risks.

In the African continent, South Africa has been one country to seriously consider the issues of risk management.

The industry has many guidelines that are aimed at bedding down the principles of risk management.

Regulations such as the King reports are covering a whole lot of risk management activities and governance. The latest being the King IV which covers elements such as disclosure requirements, good corporate governance and risk management.

In Zimbabwean market, Insurance and Pension Commission (IPEC) issued a Risk management and Corporate Governance guideline in 2020 which became effective 01 July 2020.

The guideline stresses that a pension fund should bed down risk management in its operations.

To do that the guideline gives some direction on some of the policies pension funds should have operational such as the material outsource supplier, investment policy, enterprise risk management framework, operational risk policy, credit risk policy, solvency risk policy to mention a few.

The guideline goes on to define different roles in risk management to help pension funds embed enterprise risk management.

How can risk management look like in a pension fund
Risk is the effect of uncertainty on an organisational objective, which can be either negative or positive.

Risk management is the science of managing the uncertainty that an organisation might be exposed to, which improves decision making and profitability.

Pension funds which are responsible for providing financial security to members of the scheme or their dependents upon employment termination through various methods such as retirement, death, and so on are exposed to various risk exposures.

The risk sources/ exposures in pension funds
Risk exposures to pension funds come in various forms which may be broadly categorized as the follows:

RISK	DESCRIPTION
Solvency Risk	The risk that the fund does not have sufficient assets to meet its liabilities, and the risk of insolvency in the sponsoring employer affecting its ability to fund the pension scheme.
Funding Risk	Inability to undertake projects due to liquidity which can be due to default risk or market risk.
Credit Risk	Risk of loss from the failures of counterparties such as, sponsoring employers, investment partners and tenants to meet their obligations.
Liquidity Risk	The risk that an entity will not be able to meet its financial obligations, as and when they fall due, owing to difficulties in converting assets into cash.
Market Risk	Risk of losses due to adverse movements in interest rates, exchange rates, equity prices, commodity prices and/or any other market prices.
Operational Risk	The risk of losses resulting from inadequate or failed internal processes, people, and systems, including Information Technology (IT) systems, as well as the risks from external events.
Reputational Risk	The risk that arises from possible damage to an entity's reputation because of negative public perception (for example, among fund members, sponsoring employers or authorities).
Agency Risk	The risk arising from the loss that fund members can experience owing to decision made by the persons managing the fund on behalf of the members. Issues include excessive fees, conflicts of interest, biased funding decisions, fraud misappropriation and misallocation.
Strategic Risk	Risk resulting from poor strategic decisions.

To further understand the risk, the sources and the possible implications, subcategorisation can be done by each pension fund. It is critical to note that risk categorisation should be done inline

with each pension fund's context. Organisation's context is made up of the internal and external context. Internal context involves the aspects of the organisation that it may have control over whereas the external context involves aspects that the organisation have no control over.

How to implement risk management in a pension fund

Enterprise risk management can be implemented by any organisation irrespective of its size. Pension funds should consider risk management as value addition other than compliance (tick the box) issue. Some of the benefits of risk management includes:

- Better understanding of stakeholder requirements and the fund will put up policies that addresses the needs of the customers.
- Better view of the unforeseen and preparedness. Covid - 19 is one of such unforeseen risk events, which hit a lot of pension funds in their state of unpreparedness.
- Improved corporate governance and fund sustainability.
- Improved decision making, objective setting and achievement.

To implement a robust risk management, pension funds need to customise the standards by considering the following:

Risk Management principles

To ensure that a pension fund embeds appropriate risk management framework, the following principles should be well addressed:

i. Creates and protects values.
ii. Integral Part of organisational process
iii. Everyone is responsible for Risk Management.
iv. Part of decision making.
v. Considers human and cultural factors.
vi. Based on best available information.
vii. Transparent and inclusive.
viii. Explicitly address uncertainty.
ix. Systematic, structured and timely.
x. Tailored to suit the organization.
xi. Dynamic, iterative, and responsive to change.
xii. Facilitates continual improvement and enhancement.

The risk management framework

Risk management framework helps the pension funds to develop and document how risk management is going to be done within the fund. Some aspects that can be included in the framework may include, risk categorisation, risk management approach, roles, responsibilities and accountabilities, risk management policies.

The framework should include:

i. Plan - Design of framework and process for managing risk.
ii. Do- Implementing risk management.
iii. Check- Monitoring and reviewing risk management.
iv. Adjust- Continual improvement of framework and process.

The risk management process

This should be a structured approach in which an organisation manages their risk exposure. Documented risk management standards and guidelines gives a structure of the process which can be broken down into:

i. **Define the context** - The pension fund should define its internal and external context. It is critical at this stage that the pension fund should put human resources, financial resources and time to research and understand the context that it operates in – this is not a once off process.

ii. Risk management can be broken if a pension fund copy and paste the risk management process of one pension fund or another financial services company. The context should be well researched, understood and documented.

iii. **Risk assessment** - The process that involves risk identification, analysis, and evaluation.

- Pension funds cannot manage the risks that they did not **identify.** To properly identify the risks, there are tools provided in guidelines such as the ISO 31000:2018. It is critical to note that risks change with the changes in the operating context, revolving stakeholder needs and introduction of new products and services. Risk identification involves asking what may happen to a pension fund, which is not yet happening, so pension fund risk management might fail if thinking beyond the current is not regarded as value addition and if the culture is to say we will cross the bridge when we get there.
- Risk analysis involves critically examining the identified risks to ascertain the potential level of impact, the velocity of them happening as well as the probability of happening.
- Risk evaluation then involves, assessment of the risk in terms of the pension fund's risk criteria which is used to inform a risk response measure to be used. Since pension funds like any other investors and financial services company, should improve and protect member value, they should develop risk appetite statement, risk capacity and risk tolerance to enable evaluation and see if any activity that they might want to embark on, is not too risky for the members in the future.

iv. **Risk control** - It is critical for a pension fund to develop risk response plan to each critical risk it is exposed to. Across guidelines, risk control measures are broadly divided into risk transfer, risk retention, risk reduction or risk avoidance. A risk response plan, which should be approved should articulate the risk control measure taken, action plan and responsibilities to comply with the response plan.

v. **Communication and consultation** – It is critical that for the risk management process to remain relevant and active, communication and consultation should be done frequently. A documented and approved communication and consultation plan must be followed.

vi. **Monitoring and review** - The pension fund should put in place a monitoring and review plan which gives guidelines how monitoring and risk should be done, what coverage should monitor, and review includes and resources available for monitoring and review.

Risk management Guidelines, Standards and Regulations

Risk management guidelines are issued to give a guide to the market on how to implement risk management. It is critical to note that organisations should not cut and paste the guideline, since this might not give the desired benefits of risk management. Each organisation must customise the guidelines depending on the size, nature and objectives it wants to achieve. Some guidelines include:

- ISO 31000:2018 Risk Management Principles, Framework, and Processes.
- Committee of Sponsoring Organisations of the Treadway Commission (COSO, 2013).
- King VI, 2017.
- Risk Management and Corporate Governance Guideline (IPEC, 2020).

The **spirit** of the guidelines, standards and regulations is to assist the organisations to implement good risk management standards that will benefit the company and its shareholders as opposed to compliance (tick box) approach.

Risk landscape for pension funds and some key risks in 2021

It is key to note that the operating environment for pension funds is full of uncertainty. Some of the risks that are materializing that are impacting pension funds includes the following:

i. **Covid - 19 pandemic** - The risk is affecting the pension fund sector from both investment and operational perspective. Pension funds are invested in properties and most tenants' businesses are being affected by Covid - 19. If a pension fund had implemented risk management and defined its appetite to issues around concentration in one sector, the impact of Covid 19 will be minimum as opposed to a fund which have not considered such a risk before its manifestation.

From operational perspective, the impacts of Covid – 19 are affecting pension fund process that did not revolve inline with technological changes that are witnessed in the pension funds' external context.

ii. **Cyber-crimes** - The world is turning to a global village and lessons from pandemics such as Covid - 19 has been teaching us to quickly grab technology. Pension funds are implementing systems and are going online so that they can work remotely. In the same vein, when it looks rose, pension funds should also consider what can go wrong with systems. A lot of cyber crimes are being reported in the external context. Pension funds should think security and business continuity as they accept the opportunity (positive risk) of technology.

iii. **Systems fees and availability** - Whilst pension funds are implementing pension management systems to ensure digitisation, to note is that majority of these systems are

imported, hence it may expose pension funds to high fees, foreign currency issues and switching off which affects availability.

iv. **Money laundering**- Pension funds invest in a wide range of assets including properties. Most of the properties or land is owned by high-net-worth people and politically exposed people. Pension funds might end up investing or disinvesting to such businesses or companies. Till risk materializes, everything might seem right.

v. **New investments (private equity and REITS)** - Risk can be both positive and or negative. New asset classes expose pension funds to both positive and negative risks. Risk exists in any situation where there is no complete knowledge or information. It is key for pension funds to sharpen their risk management capabilities to explore opportunities with full understanding of the risk exposure and develop a well understood risk response plan.

vi. Sovereignty or country risk- This is the risk from policy changes of the country. Policies are done at a global level, but their effects might be negative to pension schemes. Policies might have an impact on the returns from a project or investment but at inception the parameters seemed right. Essentially it means at inception a robust risk assessment of the parameters should be implemented, do sensitivity analysis, what if analysis to find out if say there will be foreign currency policy, to what an extend is the fund affected. Exposure limits should be put in place and monitored where necessary.

vii. **Market risk**- Risk of losses due to adverse movements in interest rates, exchange rates, equity prices, commodity prices and/or any other market prices. Inconsistencies in the market parameters around issues around valuations of investments (property and private equity), volatility in the stock market and all other fundamentals exposes the pension funds to risk. Pension funds should really understand the risk exposure, set appetites and continually monitors adherence to the set limits. Until a risk materializes, to common sense, its not easily accepted to act against something that is so promising and glittering.

These risk events are just a snapshot, but it is very essential for the pension industry to implement enterprise risk management not as a tick box but to improve decision making in the industry.

Five frogs are sitting on a log. Four decide to jump off. How many are left? - John Maxwell

Risk management should not end at deciding, at satisfying regulatory standards, rather fully implemented, and appreciated for better pension funds' performance and objective assurance.

Samson Masikati is Enterprise Risk Offer for Zimbabwe Electricity Industry Pension Fund and ZESA Staff Pension Fund. He can be reached on masikatis@zesapf.co.zw

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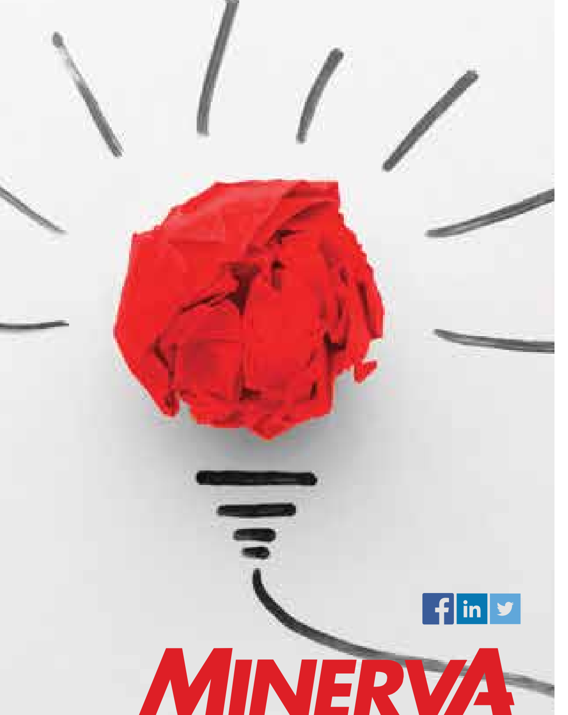

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Why big data analytics important for the pensions industry

By Godfrey Mupunga

Finding ways to gain confidence is key to pension industry's success, the reason why innovation and creative strategies should always be on the minds of the industry if we need to continue to survive in the 21st century.

However, finding ways to constantly outperform is not easy.

This is why more industries are turning to big data for the answers as well as managing their day to day operations to ensure confidence is restored for their stakeholders.

Big data is not really something new.

For years pension funds have collected information on their clients. What has changed is the amount of information being collected.

New platforms like social media and new technologies like smartphones have increased the amount of information that can be tracked, opening the doors to deeper customer insights (Jonathan Buckley, n.d.). This has to happen in the Pensions industry as we need to constantly grow the industry and leave a legacy to those who will follow after we are gone.

What is data analytics?

Data analytics is the science of analysing raw data in order to make conclusions about that information (Jack Frankenfield, 2021).

Data analytics is a broad term that encompasses many diverse types of data analysis. Any type of information can be subjected to data analytics techniques to get insight that can be used to improve things.

Data analytics techniques can reveal trends and metrics that would otherwise be lost in the mass of information. This information can then be used to optimize processes to increase the overall efficiency of a business or system.

Why data analytics is important in the pensions industry?

Data analytics techniques can reveal trends and metrics that would otherwise be lost in the mass of information. This information can then be used to optimise processes to increase the overall efficiency of the industry or system.

For example, in the pensions industry we often record the runtime, downtime, and work queue for how pensioners are being serviced and then analyse the data to better plan the workloads so that the people work closer to ensure that turnaround times are met as per our service level agreements with the respective pension funds.

Data analytics can do much more than point out bottlenecks in service delivery. Pension Funds use data analytics to set pension increases and reward annual bonuses. Data analytics is important because it helps the industry to optimize their performances. Implementing it into the business model means administrators can help reduce costs by identifying more efficient ways of doing business and by storing large amounts of data. The industry can use data analytics to make better business decisions and help analyse client trends and satisfaction, which can lead to new and better products and services.

Types of data analytics

Data analytics can be broken down into four basic types:

1. **Descriptive analytics**
   These describe what has happened over a given period of time.
2. **Diagnostic analytics**
   These focus more on why something happened.
3. **Predictive analytics**
   This type speaks to what is likely going to happen in the near term.
4. **Prescriptive analytics**
   Suggests course of action to take.

Why the need for data analytics?

With emerging technologies like the internet, data analytics are on the verge of going mainstream.

If the industry fails to use data analytics to their advantage other industries/current employers will use the same information they would have managed to get from us to manage their pensions in-house as in-house savings schemes , making it harder for the industry to grow which could lead to the fall/ shrinking of the industry.

It is precisely for this reason that the industry need to proactively adopt big data analytics strategies.

If we continue to operate on a level playing field, we will never get ahead of the expectations of our clients (Pensioners and contributing members). We need to do what our stakeholders aren't expecting.

Let's create what will erase past memories of people losing their pension values.

Why the industry need to learn on how to turn data into intelligence

Gartner (Andrew Spender, 2015) highlighted the implications of big data for businesses:"Leading senior executives will build a strong competency in turning this data into critical intelligence that will drive their organizations' future direction." When business and IT leaders like us fail to accommodate big data within their industry strategies, the risks include falling behind, losing relevancy and missing out on potential industry growth opportunities.

To leverage on big data to the fullest, adjustments to the overall IT infrastructure are necessary. First of all, the rise of big data means that more files are flooding enterprises than ever before. The amount of data worldwide is forecast to reach 163 zettabytes by 2025, IT infrastructures must therefore be prepared to collect and process enormous amounts of data.

How can industry survive using data analytics

While those who adopt big data initiatives might have an initial advantage over industries that drag their feet, that is expected to change as more industries will catch on. After all, they will be using the same technology and drawing from the same sources. When that happens, how can the pension industry survive? Below re suggestions of what needs to be done:

1. Have the Right Data

The first step is to make sure that we collect the right data. The term "big data" suggests the need to collect the most relevant information.

Most information out there is just noise. Collecting too much is the equivalent of trying to find a needle in a much bigger haystack.

The key is to only collect what you will need. Always keep the industries objectives in mind, then go after data that will help the industry meet those objectives.

Industry players that know what they are looking for will get results faster and beat the motion that the pension industry is not a right investment vehicle.

2. Have The Right Tools

It is important to find a tool that not only offers the capabilities for what you need, managed by the talent you have.

There are platforms designed specifically for gaming industries, healthcare professionals and businesses.

Each perform offers different analytical processes. Let us take the time to research on tools that meet our industry needs.

3. The Right Talent

Big data is like a race track, and analytical tools, the latest race car. This car has the potential to beat any vehicle on the track, but without a driver, it will just sit at the starting line.

One of the best ways to outperform in the industry is to have the best talent. Analysts are key because they are the ones who know which processes to run in order to get the right information.

They know what information is useful, and what just noise is. Are we choosing the right Actuaries, Investment managers and Auditors to assist?

Conclusion

In this ever changing world, the pension industry need to think fast and stay agile .However, this requires strategies that work in the real world.

With experience across the value chain, end-to-end, only us as industry players who value their clients create strategies that come not just from knowing, but from the know-how of doing it to save our stakeholders.

Applying data analytics ensures that the industry can have value creation by giving pensioners the advantage of pension's insights.

Are we doing the right thing to save our stakeholders by using data analytics?

Why complains from our stakeholders? This can be reduced by the use of data analytics

Regulatory developments

Regulatory Developments

Frameworks

Pursuant to the offsite inspections conducted in 2020, the Commission is coming up with various frameworks to address the mischiefs observed from the inspections. The frameworks currently being worked on include the following:-

- Framework for expenses
- Framework for Pooled Investments
- Dissolution of inactive funds

Offsite inspections – Thematic areas

As advised in the industry association meetings, the Commission is continuing with offsite inspections on identified thematic areas. Inspections carried out in the first half of the year are the following:

- Assessment of implementation of Management Information Systems Roadmaps.
- Assessment of Compliance with the Risk Management Guideline
- Foreign Currency Business.
- Analysis of AML/CFT Institutional and Sectoral Risk Assessments

For the second half of 2021, the targeted areas for offsite inspections include the following: -

- Governance surrounding shared services
- DC funds and fund administrators
- Assessment of separation and tracking of assets and liabilities within umbrella funds.

We therefore call for industry's cooperation in responding to data calls as we conduct the inspections.

Adoption of IFRS standards

Pursuant to Circular 26 0f 2020 on inflation accounting, the Commission issued Circular 20 0f 2021 directing the pensions industry to adopt IFRS Reporting starting with the 2020 financial statements. The Circular emphasises full compliance with IFRS, including IAS 1-First Time Adoption of IFRS. The additional requirement is for entities to restate the 2018 comparatives and make an explicit and unreserved statement of compliance with IFRS as required by IAS1.

Following representations made by the industry on time constraints in meeting the 30 June 2021 deadline, the Commission is considering requests for extension of the deadline on a case by case basis with the cut off date of 31 July 2021.

Launch of ZICARP – key development for life offices

As you are aware, ZICARP was launched on 22 June 2021 and most industry players witnessed the event. This is a key development for life offices as it ensures that their capital is aligned with the respective entities' risks. As the Commission we are ready to roll out the project in line with the shared timelines.

Mortality Tables – update

The Commission is pleased to advise that we have secured 75% of the required funding for producing Zimbabwe's own mortality tables. Tendering for the consultancy to undertake the exercise will be commencing soon.

Implementation of Guidance Paper

As you are aware, the Commission issued a revised Guidance Paper through Circular 18 of 2021, following submissions from the industry on the challenges that were being faced.

The Commission is indebted to the industry for their invaluable input and the feedback which was considered together with learnings from submissions for the First Measurement Date.

The revised Guidance Paper is effective 01 January 2020, and the Commission is ready to assist in areas requiring clarification.

The Commission's expectation is that all entities will comply with the Guidance Paper and that the December 2020 Measurement Date submissions will be made latest by 31 July 2021.

Currently, the Commission is working on closing the 2019 submissions, although there are quite a number of entities with outstanding documents and a few that have not yet made any submissions. We urge the non- compliant entities to do the needful to facilitate finalisation of the 2019 submissions and commencement of the 2020 submissions.

COI Compensation

The 2009 compensation issue remains one of the priority issues which the Commission is working on together with the industry. While there is ongoing work by the Working Group, we urge the industry to prepare all the necessary data to facilitate re-computation of benefits in line with the recommendations of the Commission of Inquiry. There is need to finalise the matter before year end, hence the urgency to do the needful to ensure this happens without fail. We also implore entities with personnel who are in the Working Group to allow them time to work on this critical industry assignment, which we believe that, once completed, will go a long way in restoring confidence in the insurance and pensions industry.

Prescribed Assets

Industry compliance with prescribed asset requirements remains low, with the level at 3.05% as at 31 March 2021.

Recently we shared with the industry Government's borrowing plan so that industry participates in the tendering process and hence influence the interest rate.

In addition, the Ministry of Finance has accorded prescribed asset status on a number of non-traditional instruments which we believe preserve value.

We are still calling on industry to come up with projects that can be accorded prescribed asset and so improve compliance. We also expect Government to be issuing forex denominated instruments.

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Thank You

The Zimbabwe Association of Pension Funds (ZAPF) would like to thank all presenters, sponsors and participants for making the association's virtual events a resounding success.

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