EVALUATION OF RETIREMENT SYSTEMS OF COUNTRIES WITHIN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

Country Profile: Zimbabwe

OPM

OPM

Oxford
Policy
Management

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Abbreviations

BEAM	Basic Education Assessment Module
NSSA	National Social Security Authority
OPM	Oxford Policy Management
PASS	Poverty Assessment Study Survey
POBS	Pensions and Other Benefits Scheme
PRP	Protracted Relief Programme
SADC	Southern African Development Community
ZWD	Zimbabwean Dollar

1 Country and retirement system overview

Box 1.1 Country overview

Population 2008:	12.5 million (WDI 2008)
Proportion of population above 65 – 2008:	4% (UN 2008)
Proportion of population above 65 – 2030:	3.7% (UN 2008)
Proportion of population rural:	63% (WDI 2008)
GDP per capita (current US$):	$274 (WDI 2005)
Proportion of population below poverty line ($2/day): No recent poverty headcount from WB. Gandure (2009) reports 53% of urban households and 63% of rural households below Total Consumption Poverty Line in 2006	
Labour force:	3.84 million (2009 est.)
Labour force participation rate:	70% (2007)
Unemployment %:	4% (WDI 2004)
Employment in formal sector (% of total employment):	NA
Employment in subsistence agriculture (% of total employment):	NA
HIV/Aids prevalence (% of population 15-64):	15.3% (WDI 2007)

Box 1.2 Retirement systems overview

Formal systems

Social assistance

There is no dedicated social assistance system for the elderly in Zimbabwe although a number of poverty relief programmes from government exist, such as the Public Works Programme. In 2007, the Public Works Programme reached 14,246 elderly, with each household receiving ZWD 19,018 for the whole year. Donors (e.g. the World Food Programme Vulnerable Group Feeding and Monthly Food Distributions under the Protracted Relief Programme Phase II) include, or have included in the past, the poor elderly as a vulnerable group. Various donors (such as HelpAge and Concern) are expanding pilot systems of cash grants. There is also a system of cash support for the elderly in institutions which, in 2005, benefited nearly 40,000 people.

National social insurance

The scheme falls under the general supervision of the Ministry of Public Service Labour and Social Welfare, and is administered by the autonomous National Social Security Authority. It is governed by the National Social Security Authority Act No. 12 (1989, ch. 17:04). The scheme covers all publicly and privately employed persons (excluding the self-employed) aged between 16 and 59 who are residents or citizens of Zimbabwe. In 2009, 2.1 million persons were registered with the POSB, of whom 1.2 million were active contributors (i.e. 30% of labour force). In July 2009, the actuaries recommended that the scheme maintain levels of benefits at US$25 per month for the retirement pension, due to hyperinflationary conditions.

Civil service occupational retirement schemes

There are three pieces of legislation governing civil service pensions: the Local Authorities Employees (Pension Schemes) Act 30 (1971); the Parliamentary Pensions Act (11 of 1978) and the State Service (Pensions) Act (7 of 1989). The schemes are DB schemes and more detail is awaited regarding the exact formulae for calculating benefits. The target seems to have been to index pensions to about two-thirds of the current value of a pensioner's earnings at retirement. For the 2010 financial year, US$165 million was appropriated for public service statutory appropriations, which comprise a variety of pensions and benefits (such as disability benefits to civil servants). This equals 7% of the 2010 government budget of US$2,250 million.

Private occupational and voluntary schemes

These schemes are regulated by the Insurance and Pensions Commission in line with the Pension and Provident Funds Act (1996, as amended) and relevant regulations. Due to the effect of the hyperinflation on the operation of pension funds, there is a lesser amount of detailed information available on occupational and private schemes than in the past. In December 2004, there were 2,810 registered funds with about 850,000 members. Membership must be granted to eligible employees between the ages of 16 and 70. Contributions must be specified as a percentage of salary, including any regular commission or bonus and any other allowances. Employees usually contribute around 6% of their salary.

Informal retirement systems

Available studies confirm that all savings, asset accumulation and informal support mechanisms play a role in the survival of the elderly in Zimbabwe, and especially that the very large current international flow of remittance still reflect kinship support mechanisms. However, very little detail is available in order to draw conclusions about the essential nature of the mechanisms and their quantitative extent. This is also the case for the traditional 'chief's granary' (access to land in difficult times), which has been mentioned but not in detail as no information was available.

2 Country background

Recent economic news from Zimbabwe has been somewhat improved. In 2009 the IMF reported that: “As a result of improvements in macroeconomic policies, a nascent economic recovery appears to be underway. A more liberal economic environment, price stability, a deepening in financial intermediation, and increased access to foreign credit lines underpinned a pickup in economic activity. The public finances benefited from the recovery in economic activity and consumption. The government matched expenditure to revenue during January-May 2009; and significant increases in budget revenue in recent months have made it possible to start implementing nonwage expenditures in critically important social areas.”

However, the country has experienced a decade of economic decline (declining GDP and declining employment) combined with intense social disruption (slum clearance and land reform among others). While socio-economic data has become less easy to come by, the PASS II assessment estimated that the population in poverty increased from 55% in 1995 to 75% in 2003. Together with this economic decline and increasing poverty there has also been a process of “informalisation” with one estimate that the informal economy grew from 10% of the labour force in 1985 to 62% in 1998. The hyperinflation that led into the multi-currency system further wiped out cash reserves and destroyed income and assets of the elderly.

While Zimbabwe has a solid legal framework for both social insurance and occupational and private pensions, the last decade saw the rapid erosion of these systems in terms of coverage of the population (with formal sector employment shrinking) as well as in terms of the level of benefits payable, with some pensions reputedly just disappearing (civil service and private) and national social insurance payments currently fixed at less than a (US) dollar a day. The impact of the crisis was worsened by the absence of a predictable and broad social assistance system for the elderly with much support in the form of emergency relief with cumbersome administrative processes for inclusion – and very low benefits.

Zimbabwe therefore faces a slow rebuilding of social insurance and private and occupational systems – with the restoration of trust in the system a huge challenge – but there seems to be an urgent need to get consensus and implement a less ad hoc and more comprehensive social assistance system, also for the elderly. Strengthening of informal systems of support – which have survived the economic crisis to some extent, most noticeably in the system of remittances – must be a key consideration in the reform of social assistance.

A 2006 study identified serious problems for the elderly who fall outside formal assistance schemes and one respondent also captured the pressure of social and demographic change:

"Looking after orphans is like starting life all over again, because I have to work on the farm, clean the house, feed the children, buy school uniforms. I thought I would no longer do these things again. I am not sure if I have the energy to cope". (64 year old man, Makoni, Manicaland) https://www.comminit.com/en/node/1877/347

3 Formal retirement systems – Social Assistance

Zimbabwe does not provide a universal or means-tested social pension or social assistance grant to the elderly as it exists in other SADC countries such as Botswana, Namibia, Lesotho, South Africa and Swaziland. There is, however, a raft of government social assistance mechanisms (many introduced before the current economic crisis) which also include the destitute elderly as a targeting category. Devereux has argued that "[b]efore the recent economic crisis, the Department of Social Welfare provided a package of social assistance to poor and vulnerable Zimbabweans that was – in theory – one of the most comprehensive in the southern Africa region, and amounted to a partial social security system."

As the economic crisis has intensified the reach of these government programmes seems to have shrunk while humanitarian assistance has grown which also include the elderly as a sub-group of the vulnerable. Gandure has argued that government schemes "are nationwide with well developed institutional structures that support implementation but those structures have [become] less effective because of lack of capacity, poor infrastructure and lack of financial resources".

3.1 Government programmes

Table 3.1 provides the government budget for 2010 and forward estimates for the programmes of the Ministry of Public Service, Labour and Social Services. Programmes with relevance for the elderly are the Public Assistance Programme ("Public assistance families"), Maintenance of elderly persons (care of the elderly in institutions) and the Public works programme. Social assistance receives around 1% of the government budget but it is dominated by the Basic Education Assistance Module (BEAM) which absorbed 66% of the social assistance programmes budget. This programme supports children at risk of not attending school through payment of school fees, exam fees and levies.

Table 3.1 Ministry of Public Service, Labour and Social Welfare: Spending programmes

	BUDGET ESTIMATE	INDICATIVE ESTIMATES	
	2010 US$	2011 US$	2012 US$
Programmes			
Basic Education Assistance Module	**15,225,000**	25,154,000	26,000,000
Children in difficult circumstances	**1,000,000**	1,651,000	1,708,000
Children in the Streets Fund	**70,000**	115,000	120,000
Community recovery programmes	**20,000**	33,000	34,000
Health assistance	**700,000**	1,156,000	1,196,000
HIV/AIDS awareness	**5,000**	8,000	9,000
Maintenance of disabled persons	**800,000**	1,322,000	1,366,000
Maintenance of elderly persons	**700,000**	1,156,000	1,196,000
Millennium Development Goals	**5,000**	8,000	9,000
National heroes' dependants assistance	**700,000**	1,156,000	1,196,000
Paupers burial	**600,000**	991,000	1,025,000
Poverty Assessment Study Survey III	**15,000**	25,000	26,000
Public assistance families	**1,000,000**	1,652,000	1,708,000
Public works	**1,100,000**	1,816,000	1,879,000
Registration and monitoring of Non Governmental Organisations	**60,000**	99,000	102,000
Support to Government Institutions	**1,000,000**	1,652,000	1,708,000
Total spending on social assistance programmes	**$23,000,000**	$37,994,000	$39,282,000
Proportion of total Government budget	1.0%	1.3%	1.2%

3.1.2 Public Assistance Programme

The Ministry of Public Service, Labour and Social Welfare manages the Public Assistance Programme.

The scheme, in Devereux's description, provides "monthly cash grants, health and education fee waivers, and sometimes food, to destitute people unable to work, citizens over 65 years old, people with disabilities, the chronically ill, and 'children in especially difficult circumstances. The objective of the programme was to reduce poverty through resource transfers and by enhancing the access of the poorest citizens to basic public services".

A recent assessment indicated that in the whole year of 2007 this programme reached 14,246 elderly, 5,724 people with disabilities and 6,027 families. Each household received Z$19,018 for the whole year (2007) - which was described as "very inadequate", a statement that is difficult to verify due to currency instability and changes. In 2008, the requirement was introduced that beneficiaries are expected to have bank accounts and, as a result, the total number of people receiving support under the public assistance programme declined from 25,997 in 2007 to 13,744 in 2008. Devereux referred to the findings of Munro (2005) which indicated that "complex and time-consuming application procedures resulted in low inclusion errors – social workers were even required to make home visits to validate the poverty status of applicants – but high exclusion errors". Devereux also refers to an urban bias, low coverage and the low transfer value, noting that coverage fell from 69,000 in 1994 to 20,500 in 1998.

3.1.3 Care for the elderly in institutions

The Ministry of Public Service, Labour and Welfare also provides "care for the elderly in institutions". Gandure (2009) describes this scheme as a means tested cash transfer that provides assistance to the elderly based in institutions and provided support to an estimated number of 39,648 people in 2005.

3.1.4 Public Works

The same ministry's Public Works Programme was estimated to have reached 2.9 million beneficiaries in the period September 2005 to May 2006. The programme makes transfers to the poor for a limited period through employment in labour intensive public works activities. The main form of transfer is the cash equivalence of a 50kg bag of maize grain and milling costs.

3.2 Humanitarian/NGO Interventions

3.2.1 World Food Programme – Vulnerable Group Feeding

In 2005/06, Gandure records that 36 districts of the country were assisted with 33.581 tons of food, reaching 3.2 million beneficiaries (20 kg cereal 0.5kg of pulses and once off 0.3kg of cooking oil).

The community assists in identifying beneficiaries ("targets household with little or no assets, food crop, income with special priority to children, chronically ill, elderly and the disabled").

3.2.2 Monthly food distribution

These comprise of regular and predictable transfers to 8,882 HH of vulnerable and chronically ill. (Gandure)

3.2.3 Unconditional cash transfers

Gandure estimated that by May 2009, about 1,200 households received unconditional transfers of about US$ 20 per month. These schemes were very much in the nature of pilots, targeting different groups and areas.

There is significant interest in further expanding cash grants.

In November 2009 Concern Worldwide converted part of their feeding programme to a cash distribution pilot to targeted households. “The pilot replaces food with cash in one ward per district as well as replacing 50% of the food ration with cash in another ward per district to enable 19,564 people to obtain their missing food entitlement for a period of five months. In January 2010, the cash transfer programme was expanded to new wards within the targeted districts, increasing the number of people receiving cash from 19,564 to 58,866 people in 20 additional wards.” (Concern Worldwide)

4 Formal retirement systems – National Social Insurance

National social insurance for the elderly is provided by the Pension and Other Benefits Scheme (or National Pension Scheme). The scheme is mandatory and covers all employed persons (excluding self-employed individuals) between 16 and 59 years of age who are "citizens of or ordinarily resident in Zimbabwe". The Ministry of Public Service Labour and Social Welfare oversees social insurance and it is administered by the National Social Security Authority (NSSA) which also administers the Accident Prevention and Workers' Compensation Insurance Fund.

4.1 Legal and institutional

The National Social Security Authority Act (No 12 of 1989, Chapter 17:04) empowers the Minister of Public Service, Labour and Social Welfare to establish social security schemes for all employees or for classes of employees. The Act also establishes the National Social Security Authority (NSSA) to "administer every scheme and fund established in terms of this Act" and "to advise the Minister on all matters concerning the operation of schemes and on matters relating to social security generally".

To date the Minister has established two schemes, the Accident Prevention and Workers' Compensation Scheme and, through the National Social Security Authority (Pensions and other Benefits Scheme) Notice of 1993, the National Pension and Other Benefits Fund, sometimes referred to as the POBS but also as the National Pension Scheme. The Notice provides for membership of the POBS, determination and payment of contributions and describes the benefits available and their determination, the procedures for claiming and administration of the scheme.

The operations of the National Social Security Authority are controlled by a Board consisting of 3 representatives nominated to a panel by employer organisations, 3 representatives nominated to a panel by employee organisations and 3 members appointed by the Minister after consultation with employee and employer organisations. The scheme is managed by a General Manager "on behalf of and in the manner approved by the Board". The scheme operates through its head office in Harare (which also houses NSSA's Central Benefits Office), 6 regional offices and 12 sub-regional offices. Payments are centrally managed through the issuing of warrants and paid through the Zimbabwean Post Office.

4.2 Eligibility, access and coverage

Any citizen of Zimbabwe aged 16 to 59 "working in a profession, trade or occupation specified by the Minister in the notice" must register and contribute to the POBS. It seems to be generally assumed that self-employed people are excluded (employers have to register their workers). (ISSA) The 2009 Actuarial Review states that workers in private households are excluded.

In 2007 69,145 employers were registered with the NSSA of which 51% were active (NSSA 2007). As at 31 March 2009, there were 2.1 million insured persons registered with the POBS, of which 1.2 million were active as contributors (Actuarial report). Also in March 2009 35,531 old age pensions were paid, 13,124 invalidity pensions, 12,647 spouse's pensions and 24,805 orphan's pensions.

These numbers imply that 2009 coverage was about 30% of the labour force of 3.8 million and pensions to about 7% of those aged 65+, or 10% if survivor's benefits are included.

4.3 Financing

The scheme is financed from member and employee contributions at rates, and up to an income level, as determined by the Minister in a Gazette. Until 2009 employer members contributed 3% of "insurable monthly earnings" and employee members 3%. In 2010 these contribution rates were increased to 4%. The maximum earnings amount for the calculation of contributions was initially (1993) set at Z$4,000 but this cap was removed during the high inflationary period in 2008.

Employee and employer contributions to the POBS are allowable deductions under the Income Tax Act. The income of the NSSA is exempt from taxation. Pension payments are subject to income tax (Actuarial Review).

4.4 Contingencies covered

The POBS makes provision for benefits in the case of retirement, in the case of permanent incapacity to work as a result of disease or bodily or mental disablement and, in the case of death of an active fund member, provision is made for benefits to survivors (spouses, dependents under the age of 18 and elderly parents) and for a funeral benefit who seems to be available only in respect of "the deceased employee".

4.5 Benefit type and levels

The POBS is a defined benefit scheme paying retirement and survivor's pensions (monthly cash payments) if the member has contributed for a minimum period of 10 years. An invalidity pension is payable after 5 years of contributions and the funeral grant after 1 year of contributions. Should the member have a contribution record of more than one year but less than the number of years required, a lump-sum grant (and not a pension) is payable.

The retirement pension is normally payable at age 60 but may be paid from age 55 if a medical report can be provided that the member was involved in arduous employment.

The retirement pension is 1.33% of monthly covered earnings in the month before retirement multiplied by the number of years of contribution up to 30 years plus 1% of monthly covered earnings multiplied by the number of years exceeding 30 years, with a minimum monthly pension of US $25. Deferred pension benefits (for those who are not active members at the time of retirements) are calculated in the same way. Surviving spouses receive 40% of the pension payable to the erstwhile employee, surviving dependent children 40% jointly and surviving parents 12% jointly.

The retirement grant is a lump sum equal to 0.083% of the insured's average annual covered earnings immediately before retirement multiplied by the number of years of contributions (including credited periods).

In spite of the defined benefit nature of the scheme, hyperinflationary conditions and the conversion to international currency (US$) have necessitated the scheme to make fixed payments. In July 2009 the actuaries recommended that the scheme maintain levels of benefits at US$25 per month for the retirement pension, US10$ for the invalidity pension, US$10 for the survivors pension and US$200 for the funeral grant. It also advised that a discretionary Christmas bonus equal to 1 month's payment (a "thirteenth cheque) could be paid in December 2009. An increase in these amounts is now under consideration.

4.6 Preservation, withdrawal and protection of rights

The legislation seems not to specify anything with regard to preservation of benefits or the rights to withdrawal.

4.7 Administrative cost

While currency problems affect comparability, the 2006 Annual Report indicates fluctuating and high administrative costs. In 2003 administration expenses comprised 13% of total revenue (including investment income) and 34% of employer and employee contributions. By 2006 these were reflected as 12% and 16% respectively. During 2009 the actuaries recommended that administration should not exceed 20% of contributions (from an apparent 35% in the previous year) and that it should decline to 10% over time.

The 2009 Actuarial review found that "the POBS is invested heavily in real assets (property and equity) and pointed to the need to "keep enough liquid assets". It recommended an investment strategy aiming at an asset mix of 30 to 40% for short to medium term assets and 60 to 70% for long term real assets. (Can summarise a bit more form Annual Report).

4.8 Financial and social sustainability

The National Pension Fund has experienced significant problems over the last decade, reflected among other things in declining membership and the pegging of all pension levels at very low levels – less than one US $ a day. Negative factors have been continuing economic decline (lower GDP, employment and labour income), an increasing informalisation of the economy, emigration and an unrealistic income cap as a result of high inflation. The currency reforms led to the NSSA losing all its assets in money market investments and current accounts. (Chikova 2009) but still had assets in equities and property which enabled it to continue to make payments but at reduced rates.

The 2009 actuarial evaluation concluded that, given current contribution rates and macroeconomic and demographic assumptions, "the POBS will be able to meet all its liabilities until the year 2018". Projections are that from 2019 revenues will exceed expenditures and reserves will be depleted by 2024, indicating the need to increase contribution rates at some stage in the future. Recommendations also state that collection

4.9 Reform initiatives

A first challenge for the NSSA is to rebuild assets as the economy stabilises and to reduce administrative costs. It will then be possible to improve pension payment levels and to find ways of rebuilding the trust of contributors which is badly shaken due to the low level of current pension benefits.

Over the medium-term the NSSA's Strategic Plan indicates that it will be promoting a National Health Insurance Scheme as well as "maternity protection" but it will also engage in research on including domestic workers and informal sector workers into the contributory system.

Actuarial concerns about the ability to fund benefits over the longer term should also be addressed.

5 Formal retirement systems – Civil Service Occupational Schemes

5.1 Legal and institutional

Three pieces of legislation provide for retirement provision for functionaries of the state. These are the Local Authorities Employees (Pension Schemes) Act, 30 of 1971; Parliamentary Pensions Act (11 of 1978) and the State Service (Pensions) Act (7 of 1989).

Legislation is assigned to different Ministers (Local Authorities to the Minister of Local Government and the State Service (Pensions) Act to the Minister of Finance). The Ministry of Public Service funds a central Pensions Office.

5.2 Financing

Pension contributions of civil servants are treated as general government revenue and expenses are disbursed from the Government's Consolidated Revenue Fund under Constitutional and Statutory Appropriations. The schemes are funded on a pay-as-you-go basis.

5.3 Benefit type and levels

These are defined benefit schemes and more detail is awaited about the exact formulae for calculating benefits. The target seems to have been to index pensions to about two-third of the current value of a pensioner's salary earnings at retirement. As in the private sector, however, the hyperinflation seems to have completely wiped out the pension entitlement of workers who retired after a certain point.

For the 2010 financial year US$165 million was appropriated for public service statutory appropriations which comprise a variety of pensions and benefits (such as disability benefits to civil servants). This equals 7% of the 2010 government budget of US$2,250 million. The bulk of this expenditure was appropriated for "State Service, Judges, Ministerial and Parliamentary pensions and other benefits" (US$92.8 million or 58% of the total) and War Veterans Pensions (US$54.2 million or 33% of the total.)

Table 5.1 Government budgets for pensions and other benefits for functionaries and employees

	BUDGET ESTIMATES	INDICATIVE ESTIMATES	
GOVERNMENT BUDGET	2010	2011	2012
	US$	US$	US$
Constitutional and Statutory Appropriations	171,319,000	207,858,700	228,081,000
Vote Appropriations	2,078,681,000	2,642,899,747	3,172,093,566
Total Government Budget	**2,250,000,000**	**2,850,758,447**	**3,400,174,566**
PUBLIC SERVICE (Statutory Appropriations)			
State Service, Judges and Ministerial and Parliamentary pensions and other benefits	92,826,000	111,415,000	122,521,000
Refunds of contributions	20,000	25,000	35,000
Commutation of pensions	674,000	809,000	889,000
Awards under Pensions (Supplementary) Acts	25,000	30,000	40,000
State Service disability benefits	1,935,000	2,322,000	2,554,000
Old age pensions	8,000	10,000	11,000
War pensions	23,000	28,000	31,000
War victims compensation	7,165,000	8,598,000	9,458,000
War Veterans pensions	54,207,000	65,023,000	71,547,000
Ex-Political Prisoners, Detainees and Restricted Pensions	8,117,000	9,740,000	10,714,000
Total: Pension and other statutory benefits	**165,000,000**	**198,000,000**	**217,800,000**

5.4 Administrative cost

The Zimbabwe 2010 Estimates of Expenditure make provision for expenditure of US$684,000 on the Pensions Office in the Ministry of Public Service of which nearly 60% is for salary cost. This amounts to 0.4% of pension payments and is unlikely to be a comprehensive estimate of administration costs.

5.5 Financial and social sustainability

For a number of years the Minister for Finance has highlighted “serious and growing pension payments” (e.g. 2007 Budget Statement). It was indicated that “current contributions do not cover current benefit payments” and that this has limited the ability “to fully index pensions to two-thirds of a serving member’s current salary”. The Government has noted that “experiences worldwide demonstrate that such systems are not sustainable in the long run, especially as the number of workers supporting pensioners decline due to a variety of factors” (2005 Mid-Term Fiscal Review). Zimbabwe has been facing significant exit from the public service as a result of perceived low salaries and out-migration.

5.6 Reform initiatives

Given the sustainability problems of pension payments and a presumably increasing budget burden (historical figures are problematic due to the hyperinflation and eventual switch to international currencies); the Minister has since at least 2005 indicated the intention to switch from a defined benefit to a defined contribution system. In 2005 it was indicated that such a Civil Service Pension Fund was approved by Cabinet in 1999. The 2010 Budget indicated that such a fund will now be established in 2011. The Ministry of Finance during interviews expressed in interest in learning from the experience of other SADC countries in this regard.

6 Formal retirement systems – Private Occupational and Voluntary Schemes

Zimbabwe has a sound regulatory framework for occupational private pension provision and as recently as December 2004 there were 2,810 registered funds with about 850,000 members. Continued collapse of the Zimbabwean economy, which gave rise to retrenchments and consequent low levels of employment, coupled with hyper-inflation has, however, rendered most occupational and private pension schemes unviable and has impacted negatively on the regulatory capacity of the Commissioner of Insurance, with a resulting lack in up to date information. As a result, one government analyst has argued that "the once thriving system of occupational and voluntary pensions has collapsed and now almost all pensioners have been rendered destitute." (Director of Social Services, Department of Social Services 2009)

This section relies heavily on the summary of relevant legislation provided by the International Social Security Association (at http://www-ssw.issa.int/sswen/lpext.dll?f=templates&fn=main-hit-h.htm&2.0)

6.1 Legal and institutional

Zimbabwe has a sound and long-standing regulatory framework for occupational and voluntary/private retirement schemes. The overall framework is provided by the Pension and Provident Funds Act (1976, as amended) and the extensive Pension and Provident Fund Regulations of 1991.

The Pension and Provident Funds Act (1976) provides for the registration of all retirement funds, defined as a scheme or arrangement with the main objective of providing to members or former members benefits upon their retirement on account of old age or health. It also sets out the framework for management and administration of funds, financial requirements and inquiries into the business of the fund. The regulations provide registration forms and set out the rules relating to administration, membership and benefits and financial provisions and statements.

The Insurance and Pensions Commission Act (No 7 of 2000) provides for the establishment of the Insurance and Pensions Commission with the function of registering retirement funds in terms of the Pension and Provident Funds Act, to monitor the funds, to provide information to the public relating to the retirement funds and to advise the Minister for Finance, to whom the Act was assigned. The Act also makes provision for the appointment of a Pensions Advisory Commission to advise the Commissioner of Insurance, Pension and Provident Funds on matters related to the insurance and pensions and provident funds industry. The Commission comprises representatives of the Zimbabwe Association of Pension Funds, the Life Offices Association of Zimbabwe, the Brokers Association of Zimbabwe, and the Ministry of Public Service and of Justice, Legal and Parliamentary Affairs, the Insurance and Pensions Commission, the Employers Confederation of Zimbabwe and the Zimbabwe Congress of Trade Unions.

The Insurance and Pension Commission is controlled and managed by a Board composed of Government and pension and insurance industry stakeholders. The Board can establish committees and must appoint a Commissioner who is responsible for supervising staff, activities, funds and property subject to the Board's control.

The Commission is funded through levies on the industry with the most recent levy rates set out in the Insurance and Pensions Commission (Levy) Regulations, 2009 (No 249). The levy consists of a fixed levy of US $300 per company plus a fixed levy (depending on type of company) for the number of funds plus a proportion of market value of total assets.

While publications as late as 2004 point to sound regulatory oversight, subsequent economic decline and hyperinflation has seriously damaged the industry and created significant pressure on the regulator, who has experienced constraints in filling key posts and ensuring reliable inflow of levy contributions. As a result, up-to-date information on the sector and specific funds are not generally available.

The Pension and Provident Funds Act (1976) provides for the registration of either pension, provident or retirement annuity funds which could be an insurance company scheme or a self-administered scheme. The legislation also accommodates umbrella group schemes. Pension and Provident funds are independent legal entities which must be governed by a board of trustees, at least half of which must be elected by plan members, with the other half being appointed by sponsoring employers. The board of trustees may choose to manage the contributions and benefits “in house” or contract it to an insurance company on condition that such a company is registered with the Commissioner of Insurance. There are no minimum capital requirements for pension and provident funds, but minimum requirements apply to insurance companies.

Funds are administered by a principal officer.

Self-administered funds must submit annual financial statements to the Registrar of Pension and Provident Funds (RPPF), containing income and expenditure accounts, a balance sheet, a statement of assets and a list of the names of sponsoring employers.

Insurance companies must, for each fund that they administer, submit to the RPPF annual financial statements consisting of income and expenditure accounts, a balance sheet and a statement of assets. In addition, insurance companies must submit information on all new funds administered by them, with a list of sponsoring employers for each fund. All financial statements must be accompanied by a report signed by an auditor. Monthly information on the asset allocation must be submitted to the RPPF.

An actuarial examination must be conducted at least once in every three years and each fund must keep such records as are necessary to enable an actuary to carry out an examination at any time.

If the actuary concludes after the examination that the fund is in an unsound financial position, the actuary and the board of trustees must jointly consider methods by which a sound financial position can be restored. Generally, the sponsoring employer(s) must finance the unfunded liability immediately or according to a funding plan recommended by the actuary and approved by the RPPF.

Rules regarding the appointment of auditors and actuaries and the settling of disputes are sound.

6.2 Eligibility, access and coverage

Plans may not discriminate based on sex, salary, wage, rank, seniority or occupation. Employers must not establish more than one plan for their employees with the Registrar in order to prevent discrimination through different benefit structures and eligibility conditions.

The benefit formula must generally be the same for all members. Membership must be granted to eligible employees between the ages of 16 and 70.

In 2004 there were 2,739 pension funds, 56 provident funds and 15 retirement annuity funds registered with the Commissioner. Funds had 846,685 members and there were 127,128 deferred pensioners. Table 5.1 provides the most recent data available from the Commissioner.

Table 6.1 Private sector occupational and voluntary schemes: membership, pensioners and scheme type and numbers

Private sector occupational and voluntary schemes: membership, pensioners and scheme type and numbers			
Membership and Pensioners	1999	2003	2004
Members	819,667	898,959	846,685
Deferred pensioners	62,949	78,057	127,128
Former members in receipt of pension	96,819	89,645	57,407
Widows in receipt of pensions	25,486	24,014	23,524
Others in receipt of pensions	39,323	35,123	25,710
Former members to whom lump sum payments are paid in installments		2,040	1
Registered Funds			
Pension funds	2,420	2,698	2,739
Provident funds	57	57	56
Retirement Annuity funds	15	15	15
Total Funds	2,492	2,770	2,810

Source: Statistical Data of the Registrar of Pension and Provident Funds for the years 2000-2004

[Currently no more recent data from Reserve Bank of Zimbabwe]

6.3 Financing

Funds are financed from employee and employer contributions and investment income. The rules of a pension fund require compulsory contributions from members (employees) and employers. Contributions must be specified as a percentage of salary, including any regular commission or bonus and any other allowances. Members whose salary is reduced may elect to contribute at an increased rate to ensure continuation of the same contribution level as before the salary reduction.

Employees usually contribute around six per cent of salary. Plan rules do not limit contributions. Contribution limits are based on an agreement between the employer and employees. Employer contributions are compulsory and must be specified in the plan rules, which may not limit them directly or indirectly to any amount that may be allowed as a tax deduction. Employer contributions should be at least equal to those of the employee.

All plans are funded plans.

Employee and employer contributions are deductible from tax up to a maximum amount a year. Investment incomes are tax exempt. Pension benefits are taxed as income.

Lump-sum benefits resulting from commutation of pensions are tax-exempt up to the limit of the greater of one-third of the cash value of the pension rights and ZWD 1,000,000. Provident funds are tax exempt.

6.4 Contingencies covered

In addition to retirement benefits, funds may provide for death benefits and benefits to eligible survivors (spouse, children) with a restriction on the proportion that can be provided as a capital amount. In the absence of a spouse or children, eligible survivors dependants, named survivors or the deceased's estate.

6.5 Benefit type and levels

In terms of the Act, fund rules must specify all benefits and there may no be discretion in the payment of benefits. Funds can be of defined benefit or defined contribution type. The benefit formula must generally be the same for all members. However, subject to the approval of the Commissioner of Insurance Pension and Provident Funds, different accrual rates may apply to members in hazardous occupations or if such differences can be justified on actuarial grounds.

The benefit eligibility age must be defined in the plan rules and may be between 55 and 70 (for both men and women). Plan rules may provide for early and deferred retirement between the ages of 55 and 70).

If a member is made redundant and does not find new employment within two years, plan rules may permit the payment of early retirement benefits even if the member is younger than 55. Early retirement before 55 is also permitted if medical evidence is submitted to the fund of the member's permanent incapacity to carry out their former type of employment.

Plans are not integrated with the National Pension Scheme.

A pension of less than an amount which is reviewed regularly is commutable. There is an entitlement to an amount exceeding a maximum monthly pension allowable amount, reviewed regularly by the Commissioner of Insurance Pension and Provident Funds, who can authorize full commutation for members who intend to build a house, purchase a house or a residential stand or repay a mortgage loan. Extension of a house is not provided for in this arrangement.

There is no upper limit to pension increases. The board of trustees may increase pensions on a discretionary basis. These increases are subject to the approval of the Commissioner of Insurance Pension and Provident Funds.

6.6 Preservation, withdrawal and protection of rights

In all plans, employee contributions vest immediately. The vesting of employer contributions is gradual and starts with 25 per cent of employer contributions after five years of membership; 50 per cent after 10 years and 100 per cent after 15 years of membership.

Upon termination of employment before employer contributions vest, members are entitled to a refund of their own contributions plus interest equal to the rate of return on the fund.

Upon changing employment before retirement, a member may continue to contribute to the same plan if the new employer participates in the same umbrella group plan.

Upon termination of employment before retirement, or on changing employer and the new employer does not participate in the same umbrella group plan, a member's accrued rights or accumulated capital must either be preserved or transferred to another plan or the member may opt to receive his or her contributions plus interest earned less tax; the benefit based on the employer's contributions is preserved until the member reaches at least age 55 or dies, whichever is earlier. Fund rules must provide for transfers in terms of the regulations, of benefits at members' request. Preserved rights earn interest at the same rate as the fund investments.

Winding-up procedures must be specified in the fund rules. When a fund is wound up, a liquidator may be appointed.

The fund rules must protect the assets against dishonesty on the part of any of its officers through a guarantee from the sponsoring employer(s) or insurance of such amount as the principal officer deems adequate. The principal officer and the board of trustees are responsible for the proper management of the plan.

The sponsoring employer is required to disclose information (benefit statement, financial statements, fees, etc) to members and beneficiaries.

6.7 Administrative cost

There are no prescribed limits to fees. The Registrar of Pension and Provident Funds (RPPF) is not legally required to limit fees. The board of trustees may manage the assets in-house or contract out the asset management to an insurance company registered with the Commissioner of Insurance Pension and Provident Funds. If the contributions and benefit administration is managed by an insurance company, this company will usually also manage the assets.

Of total assets invested a minimum of 45 per cent must be in prescribed government bonds. There is no prescribed limit to the level of management fees or administrative costs.

6.8 Financial and social sustainability and reform initiatives

Economic decline and hyperinflation has had a dramatic effect on funds, reputedly leading to many pensioners not being able to access benefits. The Commissioner of Pensions is busy with a number of steps to update information on the situation of the funds in order to be able to make an up to date assessment. It will be a long process to re-establish control and build funds, and recover trust in pension funds. At least a sound regulatory structure is in place to start rebuilding.

7 Informal retirement systems

A survey by Adamchak and Wilson in 1998 provides some information on income sources of the poor at that period. Of course, the situation in Zimbabwe is much changed over the last decade so these conclusions must be seen as providing evidence of some of the informal mechanisms providing support to the elderly. Also, the detailed data from the survey was not available to us. However, the survey shows that all the three main categories of informal provision identified for this study – savings, asset accumulation and kinship and other support mechanisms – did play a role in the income of the elderly.

The survey covered 150 men and women above age 55, of whom about 70% were above age 65. Thirteen per cent of the older people lived alone, 21 per cent lived in nuclear families, 26% in extended families and 40% “particularly unmarried men and women” in complex family types including relatives and non-relatives.

The study draws attention to the differences between men and women and concludes that men generated 42% of their collective total cash generation from salary, followed by the informal sector and rent. For women, the informal sector, agriculture production and children generated 73% of total income. “Males obtain income from more formal mechanisms such as salary, rent, pensions, and saving/interest. Eight-five percent of cash received by rural women comes from informal sources.” Women also received much lower incomes than men – 44% of what men received.

The study indicated that 61% of the sample received support from children, 33% received no support from children and 6% had no living children.

At this stage, not much more information is available on the structure of savings and how the elderly access these. Zimbabwe has a fairly developed financial system with a range of banking institutions and also regulated micro-finance institutions.1It is likely that most savings were substantially devalued by the hyperinflation. Information is also not available on asset holding of the elderly although as we see in Adamchuk and Wilson’s work, at least one area of income from assets, namely rentals, did play a role in the subsistence of the poor.

While Gandure refers to burial societies and savings clubs as important, evidence on coverage and effectiveness is not available and these also seem to be mechanisms to deal with specific life-cycle and economic crises, rather than with saving for retirement and old age. However, for households experiencing shocks that are covered by these schemes, the insurance element does provide protection and reduces the need to dispose of assets to meet e.g. funeral expenses.

With regard to kinship networks and other support mechanisms, there are no recent surveys; except for the related work done by Bracking and Sachikonye (2006) which found that “household reproduction in [Harare and Bulawayo] is underwritten by an internationalised, informal system of social welfare based in personalised migrant remittances.” A full 50% of their responding households receive remittances and “a substantial majority of these are dependent on them for essential household goods, including food”.

[1] A 2009 Reserve Bank of Botswana return enumerated 17 Commercial Banks, 4 Merchant Banks, 1 Discount Houses 1, 4 Building Societies, 1 Savings Bank, 16 Asset Management Companies and 95 Microfinance institutions. {Reserve Bank of Zimbabwe, 2010 #1939}

The most common relationship between the receiving household and sender is that the sender is a son or daughter of the receiver, which bears testimony to the inter-generational pattern of remittances, while the second most common category was between siblings. This suggests that not only is out-migration common, but that it is disproportionately accomplished by those of young working generation. Spouses ranked third at just over 12 % (Bracking & Sachikonye, 2006).

"It has been suggested that remittance incomes might perform the task of replacing other social protection funds, so we asked the households whether they received other assistance and how this money, if known about, might affect those income streams. A total of 287 respondents replied to the question of whether they received any other assistance, but only 49 households, or 17.1 % of the sample replied that they did. This was predominantly from the church (40.8%), which was also mentioned in all four multiple answers, such that just under 50 % of those households receiving other assistance were receiving it from the church, with this multiple category hiding another 2 households with government assistance (making this 20.4 % in total), one a clinic, one home-based care and two from burial societies." (Bracking & Sachikonye, 2006).

In addition to savings, assets and other support systems (the latter most recently documented in the flow of international remittances), there are also references to "the Chief's granary or "Zunde raMambo" a system whereby "the Chief designates land for purposes of collective growing of food crops on a common land" (Gandure 2009). No evidence is, however, available at this stage on the extent of this practice.

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