UNIFIED COUNCILS PENSION FUND

Report of the Financial Review as at

31 December 2023

Strictly Private & Confidential

Prepared for the Trustees of the Unified Councils Pension Fund

31 March 2024

Contents

SECTION 1 Executive Summary

1.1 We have completed the Financial Review of the Unified Councils Pension Fund "The Fund", in respect of the twelve (12) months ending 31 December 2023 (the Financial Review period).

1.2 The previous investigation as of 31 December 2022 was carried out by ZAC Global Actuaries and the results summary was as follows:

1.2.1 Sub Account 1 had a funding level of **414.15%**. We recommended a bonus of **448.62%** and a pension increase of **448.62%**.

1.2.2 Sub Account 2 had a funding level of **168.89%**. We recommended a bonus of **48.38%**.

1.2.3 Sub Account 3 had a funding level of **359.59%**. We recommended a bonus of **0%**.

1.2.4 All the recommended rates were adopted by the Trustees.

1.3 ZAC Global Actuaries was involved in an exercise in which they were requested to assist the fund in proposing a sustainable administration model and address concerns highlighted by the regulator.

1.4 The current financial review of the Fund in respect of the financial review period revealed the following:

1.3.1 The Fund earned an annual investment return on the assets of **461.27%**, mainly due to the revaluation of assets. Sub Account 1 has an investment return of **582.90%** and **393.11%** for Sub Account 2. Sub Account 3 was dissolved at the end of the last valuation since intended USD contributions were then remitted in ZWL.

1.3.2 The net assets of the whole Fund were ZWL$46.098 billion, comprised of ZWL$14.038 billion for Sub Account 1, ZWL$32.060 billion for Sub Account 2.

1.3.3 The liabilities of the Fund were ZWL$22.697 billion, resulting in an overall Funding level of **203.10%,** before any bonus declaration.

1.3.4 We recommend an interest credit of **337.33%** and pension increase of **0%** for Sub-Account 1. We also recommend an interest credit **418.44%** for Sub-Account 2. Sub Account 3 was dissolved and transferred to Sub Account 2 since the intended USD contributions were eventually remitted in ZWL.

1.3.5 In terms of the interim bonus rate, we believe it is subject to review depending on the investment performance of the Fund assets during 2024 for both sub-accounts. We recommend that the interim bonus be set at 80% of the return earned by the Fund's assets between 31 December 2023 and the last day of the month preceding payment of a claim. Top-up benefits are to be paid whenever the final bonus declared at the end of the year is higher than the interim rate.

1.3.6 The results of the financial review depend on the quality of the data used. Administrators should continue ensuring that membership records are up to date, in line with the Fund rules.

IPEC Currency Reform Guidelines.

1.5 In March 2021, the Insurance and Pension Commission issued guidelines about adjusting member values in response to currency reforms that were introduced in February. The guidelines essentially require that liabilities as at 31 December 2018 are “ring-fenced” separately from all other defined-contribution funds liabilities and revaluation gains on these assets are awarded only to the liability backed by these assets.

1.6 The Administrators of the Fund have provided us with accounts that show assets separately between Sub-Account 1 and 2 as per the IPEC currency reform guidelines.

1.7 Sub Account 3 had arisen as some Councils had began to submit USD contribution schedules for the month of December 2022. We learnt that no USD contributions were actually remitted and the Councils have since reverted to ZWL contributions.

1.8 As the majority of the Fund’s assets in Sub-Account 1 are in fixed property investments, the Fund will be required to have a way to “liquidate” property to pay benefits arising from liabilities backed by this asset. The Trustees will need to review the investment strategy of each Sub-Account. In addition, the Trustees may need to “sell” some assets in Sub Account 1 to Sub-Account 2 at fair market values at the date contributions are received. This is however administratively challenging as property-related expenses and the rental income would need to be split between the accounts equitably.

SECTION 2 Introduction

2.1 We have been requested to undertake a financial review for the Unified Councils Pension Fund as at 31 December 2023 (the review period). The previous valuation was undertaken as at 31 December 2022 (the previous review period). The period between the review date and the previous review date is referred to as the inter-valuation period.

2.2 This report is confidential and is addressed to the Trustees of the Unified Councils Pension Fund (UCPF).

2.3 The main objectives of this report are to:

- Determine whether the Fund is in a financially sound position as at the valuation date. For the Fund to be financially sound, the assets must be equal to or exceed the liabilities of the Fund.
- Analyse the financial progress of the fund since the previous review.
- Determine the investment return earned by the Fund assets over the period 1 January 2023 to 31 December 2023.
- Assess the adequacy of the provisions to meet Fund expenses.
- Recommend a final bonus rate to be declared for the period 1 January 2023 to 31 December 2023.
- Recommend a pension increase rate effective 1 January 2024.
- Recommend an interim rate to be used for processing claims between 1 January 2024 and 31 December 2024.

SECTION 3 Valuation data

3.1 The financial review was based on the data supplied by the Administrator, Unified Councils Pension Fund. The data comprised the following:

- Active members' monthly contributions made during the financial review period.
- List of withdrawals and unclaimed benefits.
- Pensioners' Data.
- Paid Exits members.
- Final audited financial statements for the twelve (12) months ending 31 December 2023, as well as the 2023 management financial statements.
- Investment statements and property valuation report as at 31 December 2023.

3.2 In addition to the above, we have relied on written and oral communication from the administrator regarding queries that arose on the information provided. We have also maintained a Data Inadequacy Reserve from the previous year's financial review. The reserve is for meeting the following:

- Possible omissions due to data sanitisation which we have been advised by the Management that it is still in progress.

3.3 We recommend that the fund embarks on a comprehensive data cleaning exercise in consultation with the Actuary. The reserve can be released gradually as data issues are resolved.

Active and Exits data

3.4 The membership summary of the Fund as at 31 December 2023 is as highlighted in the table below. The figures are after assuming that the bonus rates of 337.33% , 418.44% are allocated by the Trustees to members to Sub-Account 1 and Sub-Account 2 respectively. We have also included the previous review figures for comparison.

	31-Dec-22	31-Dec-23
Number of active members	2574	2486
Average age (years)	48	48
Average Fund Credit	1,120,592	12,850,394
Number of Pending Exits	1703	1966
Average Fund Credit	521,275	3,007,194
Number of Paid Exits	103	195
Average Fund Credit	483,158	8,641,465

3.5 It should be noted that the data submissions for this financial review exercise was significantly better than prior years.

3.6 We recommend that a data reconciliation be done to ensure that all Fund Members' records are correctly maintained in the system. Furthermore, the valuation data should be updated if any missing records are found. We have maintained both reserves that were set data purposes and instead aggregated them to have one data reserve.

3.7 Arising data variances have been met by this reserve set out for data purposes.

Pensioners' data

3.8 We have been provided with pensioners USD data as at 31 December 2023.

3.9 It should be noted that all pensioners are being in USD without any ZWL portion. We have therefore evaluated their liabilities in USD

3.10 The overall membership summary for the current pensioners is shown below:

	Number	Total Pension(USD)	Average Pension	Pension Weighted Average Age	Liability (USD)
Former Members	283	54,873	194	67.0	**565,465**
Spouses	8	1,440	180	68.4	**13,787**
Children	1	180	180	68.4	**-**
Beneficiaries	-	-	-	-	**-**
Totals:	**292**	**56,493**	**193**	**67.1**	**579,252**

3.11 The Pensioners' data provided reflected that that there are 23 pensioners who joined the pensioners' payroll during the review period. Their pension amounts were not split between Sub-Account 1 and Sub-Account 2. In the meantime, we allocated all pensioners to Sub Account 1 to enable the notional split of actives' and pensioners' assets.

3.12 During the 2022 financial review we allocated pensioners 2 prime properties, which are 56 George Silundika and 7 Philips Belgravia. Since there were no deaths or commutations, we have therefore increased the pensioners' holdings in the properties by the capital values of the new pensioners.

3.13 All the other data provided was further subjected to reasonability checks. Contributions received in the financial statements were checked against the contributions in the data supplied by the administrator.

3.14 We reconciled the build-up of the Fund assets between 31 December 2022 and 31 December 2023.

3.15 Contributions received, and benefits paid in the data were checked against the financials.

3.16 Overall, we are satisfied that the data is adequate for recommending the Fund's final bonus and an interim bonus rate for claims that will be made between the period 1 January 2023 to 31 December 2023.

3.17 The results of the financial review depend on the data used. If there are any changes to the data, then our results and recommendations will need to be revised.

Contributions

3.18 The net monthly contribution rates (as a percentage of monthly pensionable salaries) allocated towards members' retirement benefits as at the valuation date are as follows:

	Percentage of salary
Member	8%
Employer	12%
Admin and operational expenses	-7%
Net Retirement funding	13%

3.19 Over and above the 8.00%-member contribution rate, the members are allowed to make additional voluntary contributions. During the financial review period, no members were making such contributions.

3.20 The employer contributes in respect of each member at a rate of 12% of 1/12th of the annual salary. Of these, 5% contributions are applied towards the provision of pension. The remaining 7% goes towards expenses. We were advised that the Fund is making amendments to its rules. We were not provided with these amendments – hence they are not covered in this report.

Stabilisation Reserve Account and Expenses

3.21 The Fund Rules do not state that the employer maintains a Stabilisation Reserve Account. We have therefore summarised the expenses incurred by the Fund versus the 7% portion of the employer's 12% contribution as follows.

Stabilization Reserve	
	Sub Account 2
Contributions	**3,783,597,761**
Received from Life Assurance	1,201,142,146
Admin fees	(847,293,361)
Life Assurance Premiums	(87,582,866)
Staff Costs	(1,303,113,484)
Other expenses	(630,491,429)
Expenses Saving	**2,116,258,768**

3.22 The table above shows that the Fund had excess contributions of ZWL$2.116 billion over expenses incurred in 2023. We were provided with a split of expenses in the financial statements.

3.23 We urge the Trustees of the Fund to continue managing Fund expenses so that they can be met from contributions made by the Employer.

3.24 Furthermore, IPEC sent out Circular 41 of 2021 ISSUANCE OF FRAMEWORK OF EXPENSES, a guideline on expense management for pension funds that is effective from the 1st of January 2022 for implementation by the 30th of June 2022.

3.25 IPEC has referenced this framework in their requirement for a sustainable administration model. UCPF expenses totalled ZWL 2.887 billion for FY2023. This represents 26% of the contributions receivable for the year. We have however been advised by management that on a cash basis, the expense bill is approximately 49% of actual contributions received.

3.26 Although the fund has reduced its expenses it still breaches the IPEC stipulated limit of 15% of contributions received during the year.

3.27 We recommend Trustees to continue to institute measures to reduce the fund's expenses to ensure compliance.

Benefits to Members

3.28 The pension of a member retiring on his Normal Retirement Age (NRA) will be a yearly pension equal to such an amount as can be purchased with the Member's Accumulated Credit, using the immediate annuity rates then in use by the Administrator or any other registered insurer nominated by the Member. Options such as Cash Commutations, Optional Joint Pension with dependant or Continuation of Life Assurance benefit are also available to the Member on the use of the Accumulated Credit.

3.29 On the death of a Member, in service before his or her NRA, the following benefits shall be payable:

- An amount equal to the Members' Accumulated Credit, PLUS
- The group life assurance (GLA) benefits in terms of the GLA scheme.

3.30 We understand the Fund outsources these life assurance benefits. We believe this reduces the defined obligation of the Fund. In addition, this leads to improved efficiency in administering and managing the GLA benefit program.

3.31 We however recommend that the Fund continue to monitor if the levels of benefits provided are in line with the market movements. Salaries which form the basis for the benefits calculations have been depressed lately and this has adversely affected the benefits that beneficiaries will be entitled.

SECTION 4 Assets of the Fund

4.1 As at 31 December 2023, we have relied on the Financials Statements given to us with the Market values of the Assets of the Fund. Based on the cash flows as per the Consolidated Revenue Accounts provided (Appendix 1), the net investment return earned on the assets of the Fund over the twelve months ended 31 December 2023 was **461.27%.** Sub Account 1 has an investment return of **582.90%** and **393.11%** for Sub Account 2.

4.2 The asset allocation of the investments is set out in the table below:

	31-Dec-22		31-Dec-23	
Asset Class	**Market Value**	**Proportion**	**Market Value**	**Proportion**
Equities	27,651,079	**0.61%**	1,633,966,623	**3.54%**
Bonds	-	**0.00%**	-	**0.00%**
Investment Property	2,920,891,493	**64.05%**	24,290,620,492	**52.69%**
Prescribed Assets	13,870	**0.00%**	200,014,551	**0.43%**
Loans and Mortgages	-	**0.00%**	-	**0.00%**
Property and Equipment	211,284,988	**4.63%**	1,597,821,309	**3.47%**
Outstanding Contributions	1,400,262,350	**30.71%**	18,375,906,446	**39.86%**
Total	**4,560,103,780**	**100.00%**	**46,098,329,421**	**100.00%**

4.3 The asset allocation for each Sub-account is also as shown in the table below:

	Market Values ZWL			
	Sub Account 1	**Sub Account 2**	**Sub Account 3**	**Total**
Equities	669,926,315	964,040,308	-	1,633,966,623
Bonds	-	-	-	-
Investment Property	18,207,527,406	6,083,093,087	-	24,290,620,493
Prescribed Assets	14,892	199,999,659	-	200,014,551
Loans and Mortgages	-	-	-	-
Property and Equipment	1,402,776	1,596,418,533	-	1,597,821,309
Net current Assets	(4,840,817,935)	23,216,724,380	-	18,375,906,446
Total	**14,038,053,454**	**32,060,275,967**	**-**	**46,098,329,422**

4.4 The Fund's assets are heavily invested in fixed property. There was a significant appreciation in the value of investment property in 2023 of ZWL$24.290 billion from ZWL$2.920 billion in 2022. This has been highly attributed to official exchange rate movements over the year. The ZWL depreciated 792% over the period to close the year trading at 1:6,104 to the United States Dollar.

4.5 We have noted that outstanding contributions have significantly increased from ZWL$1.533 billion to ZWL$18.769 billion. We recommend Trustees to take measures to collect these outstanding contributions from the respective Councils.

4.6 The Fund should continue implementing debt collection strategies to clear outstanding contributions from most of its Council members.

4.7 Ordinary shares constitute 3.54% of the Fund Assets. Equities are a good match for active Members' liabilities because, in the long run, equities give high returns, which grow with inflation. However, in the short-term equities have a market fluctuation risk. This is higher in emerging markets like Zimbabwe than in developed markets due to the thin volumes of trade on the stock exchanges.

4.8 Sub Account 1 has assets worth ZWL$14.038 billion, Sub Account 2 has ZWL$32.060 billion.

4.9 We segregated pensioners assets in the last review where management assisted in allocating specific cash yielding assets to pensioners.

4.10 The table below shows the assets allocated to pensioners as at December 2022:

Pensioners Assets	Proportion Owned	USD Value	ZWL Value
56 George Silundika	100%	230,000	188,600,000
7 Philips Belgravia	52%	249,689	204,744,996
		479,689	**393,344,996**

4.11 There were 23 new pensioners in 2023 with a capital value of USD59,806. The capital from these pensioners will then increase the pensioners' holding in the 7 Philips Belgravia property.

4.12 We were notified that further to the pegging of pensions in USD, the Fund resolved to set a minimum of USD15.00 monthly pension for all pensioners.

4.13 Whilst we commend this move by the Fund's management in order to peg pensioners' earnings in USD, this introduces a wealth transfer risk whereby the younger contributing generations are having to subsidize the older retired individuals.

4.14 Our liabilities for pensioners have increased to more than what is due to them. We have evaluated their total liabilities to be USD579,252 as at 31 December 2023, implying an approximate prejudice of USD40,000 to active members.

4.15 It is on this premise that we have recommended that a 0% pension increase be awarded to the USD earning pensioners and allocate the arising surplus to active members.

4.16 The revised asset allocation for pensioners as at 31 December 2023 is as follows:

Pensioners Assets	Proportion Owned	USD Value	ZWL Value
56 George Silundika	100%	230,000	1,404,086,198
7 Philips Belgravia	73%	349,252	2,132,085,723
		579,252	**3,536,171,921**

4.17 We recommend that the Fund complies with Circular 1 of 2013 which stipulates investment guidelines for Pension Funds. We further recommend that the Fund's Investment Policy Statement (IPS) be consistently updated in line with Circular 1 of 2016, which briefly states that the proportion invested in growth assets i.e. property and equities should not exceed 70%. The Fund must submit a plan to align its portfolio. The Fund does not comply with this guideline.

4.18 The Fund holds prescribed assets which amount to ZWL$200.01 million. This constitutes a meagre 0.43% of net assets. The minimum prescribed assets ratio for pension is 20% as set out in Circular 3 of 2021. The Insurance and Pensions Commission (IPEC) requested players under its purview to come up with compliance plans. If the Fund has not yet lodged its compliance plans with IPEC, we recommend that they do so as soon as possible.

SECTION 5 Liabilities

5.1 The Fund operates as a self-administered defined contribution scheme. The Fund pays out the Accumulated Credits to the Members following retirement, early withdrawal, or death. To get the total liability over the financial review period, we have calculated the total of the Members' Accumulated reserves, Preserved amounts for exits due to withdrawals, retrenchment, ill-health, and resignations, Capital Values of Pensioners as well as Data Inadequacy and Unaccounted for Members reserves.

5.2 The liability as at 31 December 2023 before interest allocation is as given below.

Financial Position Before Bonus			
	Sub Account 1 ZWL	Sub Account 2 ZWL	Total ZWL
Actives	1,068,726,815	12,609,300,748	13,678,027,563
Pending Exits	842,075,861	527,129,570	1,369,205,431
Prior Shortfalls	92,707,818	19,140,618	111,848,436
Paid	49,970,767	25,264,867	75,235,635
Pensioners	3,536,171,921	-	3,536,171,921
Stabilization Reserve	-	2,116,258,768	2,116,258,768
Compensation Reserve	140,380,535	320,602,760	460,983,294
Data Reserve	1,349,959,606	-	1,349,959,606
Total Liabilities	**7,079,993,322**	**15,617,697,331**	**22,697,690,654**
Assets	14,038,053,454	32,060,275,968	46,098,329,422
Surplus	**6,958,060,132**	**16,442,578,637**	**23,400,638,769**
Funding Level	**198.28%**	**205.28%**	**203.10%**

5.3 A member's accumulation credit is made up of the following;

- Employers contributions;
- Employees contributions;
- Any amount to the fund in respect of the member, for instance, transfers in;

- Bonuses declared by the Trustees.

Data Reserve

5.4 We have carried forward a liability portion which was being attributed to "**Unaccounted for Members".** This is a reserve for possible omissions who were not accounted for in the previous financial review. We have combined this with the Data Inadequacy Reserve to make up the Data Reserve. Additionally, we have offset arising data variances from this combined reserve.

5.5 We recognize that the fund's management is eager to attend to all the data issues and we are available to guide through such a process. The data reserve will be released gradually as the process is ongoing.

Pensioners

5.6 We have maintained the same assumptions used in the previous review for Capital Values of Pensioners. That is a net interest rate of 3.5% per annum and a (55) ultimate mortality table.

5.7 It should be noted that having pensioners within the Fund introduces a defined benefit obligation, which may introduce risks to the Fund in periods of adverse investment performance.

5.8 We recommend the Trustees take steps to trace all members who have exited the Fund and have their benefits transferred out of the Fund. The same effort should be exerted on tracing pensioners and have these benefits transferred out of the Fund.

5.9 The rules of the Fund provide for an expense management account that constitutes the 7% portion of the Employer's 12% contribution.

5.10 The employer contributed ZWL$4.984 billion towards the meeting of the Fund's ,expenses as per Fund rules. Expenses of ZWL$2.780 billion were incurred during the review period. There was an excess of ZWL$2.116 billion of contributions made over expenses incurred.

5.11 We recommend the Fund to continue managing its expenses and keep them at their minimum possible levels.

5.12 We note that there is an undergoing exercise on Fund rule amendments, these changes have not been used in this report.

SECTION 6 Financial position

6.1 The results of the valuation as at 31 December 2023 are set out below. The funding level is determined by expressing the total actuarial value of assets as a percentage of the total liabilities.

Financial position before interest allocation

Financial Position Before Bonus			
	Sub Account 1 ZWL	Sub Account 2 ZWL	Total ZWL
Actives	1,068,726,815	12,609,300,748	13,678,027,563
Pending Exits	842,075,861	527,129,570	1,369,205,431
Prior Shortfalls	92,707,818	19,140,618	111,848,436
Paid	49,970,767	25,264,867	75,235,635
Pensioners	3,536,171,921	-	3,536,171,921
Stabilization Reserve	-	2,116,258,768	2,116,258,768
Compensation Reserve	140,380,535	320,602,760	460,983,294
Data Reserve	1,349,959,606	-	1,349,959,606
Total Liabilities	**7,079,993,322**	**15,617,697,331**	**22,697,690,654**
Assets	14,038,053,454	32,060,275,968	46,098,329,422
Surplus	**6,958,060,132**	**16,442,578,637**	**23,400,638,769**
Funding Level	**198.28%**	**205.28%**	**203.10%**

6.2 Based on an overall funding level of 203.10%, we can certify that the Fund is financially sound as at the valuation date, prior to any bonus being declared by the Trustees. An approximate 40% of the Fund assets are contributions receivables. The Fund can support members' benefits when due but the proportion of contribution receivables is very high and risks seeing members lose value due to either inflation or employers failing to settle contribution arrears.

6.3 We recommend an interest credit of **337.33%** and pension increase of **0%** for Sub-Account 1. We also recommend an interest credit **418.44%** for Sub-Account 2.

Financial Position After Bonus			
	Sub Account 1 ZWL	Sub Account 2 ZWL	Total ZWL
Actives	4,673,847,795	27,259,381,572	31,933,229,367
Pending Exits	3,682,638,401	2,229,504,177	5,912,142,578
Prior Shortfalls	405,437,782	99,232,354	504,670,136
Paid	249,617,414	35,296,337	284,913,752
Pensioners	3,536,171,921	-	3,536,171,921
Stabilization Reserve	-	2,116,258,768	2,116,258,768
Compensation Reserve	140,380,535	320,602,760	460,983,294
Data Reserve	1,349,959,606	-	1,349,959,606
Total Liabilities	**14,038,053,454**	**32,060,275,968**	**46,098,329,422**
Assets	14,038,053,454	32,060,275,968	46,098,329,422
Surplus	**-**	**(0)**	**(0)**
Funding Level	**100.00%**	**100.00%**	**100.00%**

6.4 The table above shows the funding levels per Sub Account after the declaration of recommended bonuses. Since the Fund does not keep a smoothing reserve, all maximum revaluation gains per Sub Account have been awarded as well as the excess of contributions over Fund expenses.

6.5 The individual members' accumulated balances based on our recommended bonus rate will be supplied separately.

6.6 We have introduced a compensation reserve of 1% of the Fund's assets in line with SI 162 of 2023.

6.7 We have carried out an **Analysis of Surplus** to identify the major sources of the surplus and to show the movement of the surplus during the financial period. We have reconciled the surplus for Sub Account 1 and Sub Account 2 separately.

ANALYSIS OF SURPLUS	Sub Account 1
Surplus as at 31 December 2022	**-**
Financial Statements adjustments	-
Prior liability understatement	(59,650,525)
Net Return on Investments	13,006,986,973
Return allocated to reserves	(1,152,279,333)
Compensation Reserve	(140,380,535)
Expenses Allocation	(1,354,541,778)
Variance between data and Financials	96,835,055
Pensioner interest cost and actuarial gains/(losses)	(3,321,647,673)
Interim interest	(163,518,186)
Miscellaneous items	46,256,133
Surplus as at 31 December 2023	**6,958,060,132**

ANALYSIS OF SURPLUS	$
Surplus as at 31 December 2022	**-**
Financial Statements adjustments	-
Prior liability overstatement	(3,803,957)
Net Return on Investments	19,887,752,827
Stabilization reserve	(2,780,898,274)
Variance between data and Financials	(555,598,866)
Pensioners cost	(119,213,832)
Interim interest	(18,219,380)
Miscellaneous items	32,560,120
Surplus as at 31 December 2023	**16,442,578,637**

SECTION 7 Risk profile

Market Fluctuations

7.1 Equities are a good match for active Member' liabilities because, in the long run, equities give high returns, which grow with inflation. However, in the short-term equities have a market fluctuation risk. This is higher in emerging markets like Zimbabwe than in developed markets due to the thin volumes of trade on the Stock Exchanges.

7.2 3.4% of the Fund's asset holdings are invested in equities. 52.69% of the Fund's asset holdings are in property. The property market is also subject to fluctuation risk though the property markets are less volatile relative to the equities.

7.3 Equities may also pose a risk to the Fund if withdrawals are higher than expected resulting in the need to disinvest assets at an inopportune time.

Mismatch risk

7.4 Due to the limited investment choice, the Fund will be unable to find appropriate investments to match its liability profile. We recommend that the Fund maintains its current asset allocation as a way of hedging against inflation

Low-interest rates

7.5 The interest rates on fixed interest securities and money market investments are generally low given the low risk and this affects the Fund's investment performance. However, only 1% of the Fund's assets are invested in these low-yielding assets. Equities are a good match for active Member' liabilities because, in the long run, equities give high returns, which grow with inflation.

Prescribed Assets

7.6 Pension funds are required to invest 20% of their investments in prescribed assets. As at the valuation date, 0.43% of the assets are invested in prescribed assets, and hence, the Fund is not compliant.

7.7 We, therefore, recommend that the Fund increases its investment in prescribed assets and as a way of compliance

Expense overruns

7.8 The Fund should manage its expenses in a way that does not affect negatively the members' accumulated balances. The employer is liable for those expenses.

SECTION 8 Conclusions and recommendations

8.1 Based on the Fund's investment performance and the resultant financial position, we recommend that the Trustees declare a bonus rate for Sub Account 1 as **337.33%** We also recommend an interest credit **418.44%** for Sub-Account 2.

8.2 We also recommend that a pension increase of **0%** be awarded to pensions in Sub-Account 1 effective 1 January 2024.

8.3 Instead of advising an absolute percentage as an interim rate which needs to be reviewed from time to time, we recommend that the trustees declare **80%** of the return earned by the fund at the time of exit as an interim rate. We further recommend that exit benefit top-ups be paid where the final bonus is higher than the interim bonus that would have been paid.

8.4 By using 80% of the return earned by the fund at the time of exit as an interim rate, excess assets will accumulate during years in which there are consistent positive returns thereby adding to the surplus of the fund. The opposite is true for years in which there are consistent negative returns (such as the period under review) and a strain on the assets is experienced where recoveries cannot be made. We recommend that the Trustees establish a formal policy as to how to deal with return allocations to exit benefits under these varying circumstances.

8.5 We recommend that the Trustees consider setting up a Pensioners Guarantee Reserve for both Sub-Accounts to smoothen the pension increases awarded over time. This reserve will be guided by a Smoothing Policy which outlines how it should function. Some of the surpluses will have to be held back to fund this arrangement. The surplus in the reserve can be used to augment the pensions in years were the investment performance is adverse.

8.6 Despite the limited investment choice in Zimbabwe, we recommend that an investment strategy that closely matches the liabilities of the fund and the guidelines issued by IPEC be adopted. Any assets invested in must be of similar tenure to the outstanding terms of targeted liabilities to ensure a reduction in the risk of asset-liability mismatch.

8.7 We have not calculated replacement ratios. The regulator issued a circular instructing the industry to halt long-term projections. The hyperinflationary environment makes it difficult for members to use such information objectively.

8.8 We recommend that assets be split into their respective Sub Accounts going forward so that activities over the future inter-valuation periods are recorded accordingly. Expenses and income incurred in one Sub Account should not be used to settle any activities in the other Sub Account.

8.9 In relation to the above, we recommend that benefits be paid from the relevant Sub Account, as such both accounts should have the appropriate levels of liquidity to meet its obligations.

8.10 We recommend that the data be thoroughly checked and verified.

8.11 The administrator should ensure that all outstanding contributions are traced and remitted from all other council members. We urge the employer to take into account the IPEC currency reform guideline when recovering the outstanding balances to prevent loss of value.

8.12 We recommend that 1% of assets for set aside for funding the compensation framework prejudice.

8.13 The next financial review will be due as at 31 December 2024.

Donald T. Hove	**Assisted by:**	**Sonwell Mudzengi**
Consulting Actuary, FIA		**Managing Director**
For and on behalf of Zimbabwe Actuarial Consultants		For and on behalf of Zimbabwe Actuarial Consultants

31 March 2024

APPENDIX 1: Consolidated revenue statement

	Total	Sub Account 1	Sub Account 2	Sub Account 3
Fund at beginning of period	**4,560,103,780**	**2,690,762,662**	**1,856,732,338**	**12,608,780**
Opening Value adjustment (Sub 3 Dissolution)	-	-	12,608,780	
Fund at beginning of period	**4,560,103,780**	**2,690,762,662**	**1,869,341,118**	**-**
INCOME				
Member and Employer contributions	10,810,279,318	-	10,810,279,318	-
Interest on contribution arrears	10,485,245,539	-	10,485,245,539	-
Amounts received from transfers to other funds	-	-	-	-
Rental Income	396,743,293	277,720,305	119,022,988	-
Investment Income: Interest, Dividends	14,950,494	1,991,242	12,959,253	-
Profit on sale of investments	-	-	-	-
Fairvalue gain on Investments	22,395,496,267	12,995,980,642	9,399,515,625	-
Amounts received on Life asssurances	1,201,142,146	-	1,201,142,146	-
Other income	(244,337,420)	(170,526,163)	(73,811,257)	-
Total Income	**45,059,519,637**	**13,105,166,025**	**31,954,353,612**	**-**
EXPENDITURE				
Pensions	298,034,580	178,820,748	119,213,832	-
Retirements	26,990,544	16,194,326	10,796,217	-
Resignations	69,226,898	34,613,449	34,613,449	-
Transfers to other funds	-	-	-	-
Deaths plus unpaid claims	93,914,269	75,525,880	18,388,389	-
Full Commutations	-	-	-	-
Premium paid on life assurance	87,582,866	-	87,582,866	-
Administration fees	847,293,361	436,984,632	410,308,729	-
Staff costs	1,303,113,484	651,556,742	651,556,742	-
Investment Management Expenses	134,791,589	94,354,112	40,437,477	-
Property Insurance	18,566,784	3,824,940	14,741,844	-
Depreciation and ammortisation	11,288,191	-	11,288,191	-
Other expenses: actuarial, audit, legal etc	630,491,429	266,000,404	364,491,025	-
Bad debts written off	-	-	-	-
Total Expenditure	**3,521,293,995**	**1,757,875,233**	**1,763,418,762**	**-**
Surplus/(Deficit) for the period	**41,538,225,642**	**11,347,290,792**	**30,190,934,850**	**-**
Add Accounting Reserves	**-**	**-**	**-**	**-**
Variance in Opening Balance of Fund values	-		-	-
Fund at end of period	**46,098,329,422**	**14,038,053,454**	**32,060,275,968**	**-**

APPENDIX 2: Calculation of investment return

The Investment Return is calculated as the Money Weighted Rate of Return (MWRR) using the following formula:

$$F_0*(1 + i) + C*(1 + i)^{0.5} = F_1$$

where:

F_0 denotes the opening fund balance at 31 December 2022

F_1 denotes the closing fund balance at 31 December 2023

C denotes the aggregate net new money injected during the financial review period.

The return calculation above assumes cash flows to occur uniformly through the period and thus, on average, halfway through the period.

APPENDIX 3: Investment guidelines

Insurance and Pension Commission issued investment guidelines for life and self-administered funds under circular 1/2013 which stipulates upper limits for investments Subject to (b) plus (c) not exceeding 70%. A minimum investment in prescribed assets of 20% was also set.

TYPE OF INVESTMENT	UPPER LIMIT (%)
a) Prescribed Assets	40
b) Properties	50
c) Quoted Shares	50
d) Unquoted Shares	10
e) Money Market	45
f) Cash	10
g) Other	10

DATA CERTIFICATION BY THE PRINCIPAL OFFICER

I, the undersigned, hereby certify that the data submitted to the Revaluation Actuary for the purposes of determining and distributing Revaluation Gains which arose due to the 2019 currency reforms for United Councils Pension Fund is true, complete and accurate in all material respect.

Name of the Principal Officer: Noel Jakaza

Signature:

Date: 31 March 2024

DATA CERTIFICATION BY THE REVALUATION ACTUARY

I, the undersigned, hereby certify that the data used for the purposes of determining and distributing Revaluation Gains which arose due to currency reforms for Unified Councils Pension Fund is sufficient, based upon information and belief formed after reasonable inquiry. I also confirm that I have done the following before distribution of the Revaluation Gains;

a. Checked and certified the adequacy/sufficiency of data as at 31 December 2023.

b. Reconciled the membership as at 31 December 2023 with that as at 31 December 2022.

Name of the Revaluation Actuary: **Donald T Hove, FIA**

Name of Actuary's Professional Principal Regulator: Institute and Faculty of Actuaries, UK

Signature:

Date: 31 March 2024

CERTIFICATION OF THE ASSET AND LIABILITY CALCULATION METHODS AND ASSUMPTIONS BY THE REVALUATION ACTUARY

I, the undersigned, hereby certify that all the calculations for the purposes of determining and distributing Revaluation Gains for Unified Councils Pension Fund as at 31 December 2023 were done in accordance with the "Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms". I also confirm that I have done the following before distribution of the Revaluation Gains;

a. Checked the values of assets and accuracy of liabilities as at 31 December 2023.

b. Reconciled the assets and liabilities by product line/ categories of pension membership and between sub-account 1 and sub-account 2 between the 31 December 2022 and the current measurement date 31 December 2023.

c. Ensured equity in the distribution of revaluation gains between insurance and pension liabilities and between old and newer policyholders/scheme members.

Name of the Revaluation Actuary: **Donald T Hove, FIA**

Name of Actuary's Professional Principal Regulator: Institute and Faculty of Actuaries, UK

Signature:

Date: 31 March 2024

CERTIFICATION OF MEMBER BENEFIT STATEMENTS BY THE PRINCIPAL OFFICER

I, the undersigned, hereby certify that the benefit adjustments based on calculations in terms of the "Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms" have been properly credited and that benefit statements have been issued to the members advising of the changes in benefits.

Name of the Principal Officer: Noel Jakaza

Name of Pension Fund: Unified Councils Pension Fund

Signature:

Date: 31 March 2024

CERTIFICATION OF THE SOLVENCY POSITION BY THE REVALUATION ACTUARY:

PENSION AND PROVIDENT FUNDS

I, the undersigned, hereby certify that Unified Councils Pension Fund is solvent on an ongoing basis as at 31 December 2023 as shown in the table below. This is after adjusting fund member values based on calculations in terms of the "Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms".

Measurement Date: 31 December 2023

Financial Position After Bonus			
	Sub Account 1 ZWL	Sub Account 2 ZWL	Total ZWL
Actives	4,673,847,795	27,259,381,572	31,933,229,367
Pending Exits	3,682,638,401	2,229,504,177	5,912,142,578
Prior Shortfalls	405,437,782	99,232,354	504,670,136
Paid	249,617,414	35,296,337	284,913,752
Pensioners	3,536,171,921	-	3,536,171,921
Stabilization Reserve	-	2,116,258,768	2,116,258,768
Compensation Reserve	140,380,535	320,602,760	460,983,294
Data Reserve	1,349,959,606	-	1,349,959,606
Total Liabilities	**14,038,053,454**	**32,060,275,968**	**46,098,329,422**
Assets	14,038,053,454	32,060,275,968	46,098,329,422
Surplus	**-**	**(0)**	**(0)**
Funding Level	**100.00%**	**100.00%**	**100.00%**

Name of the Revaluation Actuary: **Donald T Hove, FIA**

Name of Actuary's Professional Principal Regulator: Institute and Faculty of Actuaries,

Signature:

Date: 31 March 2024

ZAC Global ACTUARIES