

ABRIDGED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ending	2015 US\$	2014 US\$
Contributions	6 707 818	6 405 367
Net Investment Income	2 020 680	1 677 269
Other Income	155 532	105 521
Unrealised Gain from Equities		
Total Income (a)	8 884 030	8 188 157
Less: Benefits Paid		
Monthly Pensions	94 029	99 458
Withdrawals	1 487 373	973 032
Retirements	719 711	1 017 384
Retrenchments	612 816	743 696
Death Benefits	345 001	478 740
Ex-gratia Payments	130	472
Administration Expenses	1 619 443	1 529 410
Unrealised Loss from Equities	2 095 434	993 021
Total Expenses (b)	6 973 937	5 835 213
Surplus for the Year (a-b)	1 910 093	2 352 944

STATEMENT OF FINANCIAL POSITION

For The Year Ending	2015 US\$	2014 US\$
ACCUMULATED FUND:		
Opening Accumulated Fund	32 255 213	29 902 269
Surplus For The Year	1 910 093	2 352 944
	34 165 306	32 255 213
EMPLOYMENT OF CAPITAL:		
Investments	31 585 726	30 092 389
Fixed Assets	238 722	211 133
Debtors Less Creditors	2 253 416	1 853 573
Cash In Hand	87 442	98 199
BALANCE OF FUND	34 165 306	32 255 294

BOARD OF TRUSTEES

Current Trustees

Mr I. Murefu (Chairman)
 Dr P.M Matupire (Employer Trustee)
 Mr P. Chitando (Employer Trustee)
 Mr. E. Edwards (Employer Trustee)
 Mr. K. Samunawu (Employee Trustee)
 Mr. C. Mugumo (Employee Trustee)
 Mr. S. Murisa (Employee Trustee)
 Mr. P. Mushore (Employer Trustee)
 Mr. K. Moyo (Employee Trustee)

Chief Executive Officer/Principal Officer

Mr Raymond Manhika
 (MBA- Financial Services, BSc Honours Applied Mathematics, IMM Certificate)

Finance and Administration Executive

Mr Francis T. Zindere
 (FCIS, R.P. Acc)

Pensions Admin Executive/Compliance Officer

Mr Munyaradzi Nheta
 (MBA, HND Pensions Management)

Actuaries

African Actuarial Consultancy (Pvt) Ltd,
 100 Borrowdale Road,
 ReNaissance Park, Borrowdale, Harare

Auditors

Grant Thornton Camelsa Chartered Accountants
 AMG Global Accountants (*Internal Auditors*)

Investment Managers

Old Mutual Investment Group;
 ABC Asset Management and,
 CBZ Asset Management t/a Datvest

Bankers

Barclays Bank,
 FBC Bank, Banc ABC and,
 Standard Chartered Bank

Motor Industry Pension Fund

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mnheta@motorpension.co.zw
enquiries@motorpension.co.zw

Website www.motorpension.co.zw

MOTOR INDUSTRY PENSION FUND

Summary Financial Statements as at 31 December 2015



**Motor Industry House
Harare**

Introduction

Motor Industry Pension Fund (MIPF) is registered as a self-administered Pension Fund in terms of the Pensions and Provident Fund Act (Chap. 24:09). It is a Defined Contribution Scheme financed through contributions from employees and employers and earnings from the Fund's investments. The surplus from contributions and investment income over benefits payments is invested in compliance with regulations.

Contributions

Contribution to the Fund is compulsory to all employees under the age of 65 years whose employers are registered with the National Employment Council for the Motor Industry in terms of Statutory Instrument (SI) 66 of 1995. Employers are obliged to deduct 5% from an employee's monthly basic salary and in turn contribute 5% on behalf of their employee plus 2.5% stabilisation. These contributions should be paid into the Fund's account or offices on or before the 14th of the following month in terms of (SI) 243 of 2006.

Further details of contributions rates payable to and benefits receivable from the Fund are contained in the Members' Booklet issued to all employees who are eligible to join the Fund.

Chairman's Statement

I hereby present the Motor Industry Pension Fund (MIPF) 2015 Annual audited financial report to members.

This annual report provides a brief summary of MIPF activity for 2015 and some of its achievements. The Zimbabwean market continued on downward trajectory over the review period due to slow global and regional economic growth, declining disposable income, lack of foreign investment and reduced economic productivity. This resulted in a general liquidity crunch with a year-on-year inflation of -2.47%, the industrial index falling by 29% and the mining index plunging approximately 67% as at 31 December 2015. Despite the haemorrhage experienced in the investment markets due to poor equities returns, your Fund continued to benefit from prudent investment strategy in a very difficult environment. The 2015 return was anchored by Fixed Income and Property returns cushioning the Fund against a huge negative performance as was the case with many Funds in the Industry. Your Fund posted -0.24% return against an inflation rate of -2.47%. Cumulatively since dollarization the Fund's return has grown by 132.73% against an inflation rate benchmark of 5.6% for the same period.

Total contribution income continued to grow achieving an increase of 4.72% to \$6.7 million in 2015. This was despite the decrease in active membership growth by -16% in 2015 from 12,718 to 10,682 mainly due to the Supreme Court ruling on termination on notice which triggered unprecedented dismissals and rightsizing initiatives by some companies thereby affecting our membership negatively. The total market value of the assets of the Fund grew from \$32,255 million to \$34,165 million representing an annual growth of 5.92%.

Our actuarial valuation results continue to show a healthy financial position as a result of prudential approach adopted 3 years ago when the Fund agreed to set aside Bonus Smoothing Reserves (BSR) meant to cushion members in bad years like 2015. The purpose of the BSR is to avoid declaring negative bonuses in bad years by smoothing performance in good years. A surplus of \$233,770 was achieved for 2015 and your Board agreed to declare a net 0% bonus for 2015. Cumulatively from the advent of dollarization in 2009 to 31 December 2015, the total bonuses declared to members grew 133.29% against an inflation benchmark of 5.6% for the same period. This means despite a poor 2015 year your Fund has managed to maintain value over the last seven years, which is still pleasing in view of the long term strategy of attaining a decent retirement if the member contributes consistently for an ideal 45 years working life.

After the 2015 bonus declaration your fund is still sufficiently funded above the minimum funding level set by Insurance and Pensions Commission (IPEC) of 75% at 101% and the industry average which we believe is below the above-mentioned benchmark. This means that your Fund is still cushioned to the tune of 1% in case of another bad year like 2015. The Board, however, continues to deploy new contributions in a manner which further cushions against future shocks as the market continues to plummet into the first quarter of 2016. This is through its well diversified portfolio, stock selection and fixed income securities picks which the Board believes will have been adequately researched on before being included in the portfolio.

A review of the Fund's operations would reveal the following:-

Administration

Your Fund was sufficiently liquid to meet all claims which were submitted by members who exited the Fund in 2015 as the claims situation was worsened by the 17th of July Supreme Court ruling which allowed employers to issue termination on notices to some of our membership. Despite its healthy liquidity position the Fund continues to appeal to employers to be up to date with remittance of contributions and salary schedule returns in order not to inconvenience members who exit the Fund. Our internal target is firmly in place, which is to pay members who exit the Fund within 5 days of their exit date provided that all documentation has been submitted and the employer is up to date with his remittances to the Fund.

Membership Statistics as at 31 December 2015

The Fund's membership as at 31 December 2015 is as follows:

No. of members as at 1 January 2015	46,289
New Entrants	1,206
Total	47,495
Resignations, Retirements, Retrenchments and Deaths In Service Claims	(1,575)
Total Membership	45,920
Pensioners (Former Members)	134
Beneficiaries-Spouses	18
Beneficiaries-Children	9

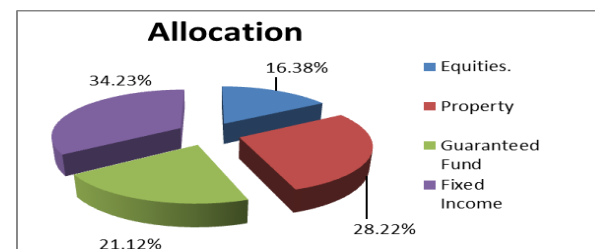
A total of 1,575 claims worth \$3,524 million were successfully processed and paid compared to 1,206 claims amounting to \$3,212 million in 2014 representing a claims value increase of 6.4%. The major contributor has been a significant rise in termination on notice claims treated as a withdrawal and retrenchments triggered by the earlier-on mentioned Supreme Court ruling.

The regulator, namely Insurance and Pensions Commission (IPEC) further increased the minimum commutable pension from \$30.00 to \$50.00 resulting in 104 (65%) of the 161 pensioners qualifying for the option to commute their pensions in full.

Investment Portfolio Mix

The Fund strengthened its prudent investment strategy by investing in well-diversified assets with a view to long-term security, value preservation, risk managed high yielding and inflation sensitive or real return assets with the latter being a particularly good match for the CPI's inflation indexed liabilities.

Below is the Pension Fund investment portfolio mix as at 31 December 2015.



The strategic asset allocation for the long term will continue to be guided by the membership profile of the Fund which is reviewed by our Actuary annually up to the limits set by the IPEC from time to time. The Board has adopted and incorporated the IPEC investment guidelines in the Fund's Investment Policy statement and was 100% compliant way before the 2016 deadline. The Fund is also happy to report that it is also fully compliant with the prescribed assets at 18% as at year-end against the required 10%.

Board of Trustees

MIPF is run by a Board of Trustees in accordance with the Statutory Regulations. It has a fiduciary duty to the contributors, and beneficiaries of the Pension Fund to ensure that contributions have been collected, benefits have been calculated correctly and paid promptly and any surplus funds are properly invested.

The various Committees and the Board of Trustees continued to function satisfactorily in accordance with the established Terms of Reference and the objectives of good governance.

Late contribution remittance penalty

We continue to remind Employers that the Minister of Finance published in the Government gazette of 4 April 2014 amendment No.21 of the Pensions and Provident Act (**S.I. 61 of 2014**) which deals with late contribution payments. Late remittances will now attract interest at the level of the Fund's unsecured overdraft bank rate.

Outlook

Our Fund has demonstrated in 2015 that it is well equipped to meet short-term market fluctuations as it is invested in well-diversified assets with a view to long-term security. The environment is expected to continue deteriorating making risk management a key aspect of the operations of the Fund.

Finally, I would like to record my thanks and appreciation for the support given to your Board of Trustees by management, staff, investment managers, advisors and all those involved with the continued operations and growth of the Fund for their efforts in difficult times.

I Murefu
Chairman