

ABRIDGED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ending	2016 US\$	2015 US\$
Contributions	6 304 850	6 707 818
Net Investment Income	2 130 194	2 020 680
Other Income	11 265	155 532
Unrealised Gain from Equities	1 860 837	
Total Income (a)	10 307 146	8 884 030
Less: Benefits Paid		
Monthly Pensions	98 485	94 029
Withdrawals	1 419 977	1 487 373
Retirements	828 624	719 711
Retrenchments	776 542	612 816
Death Benefits	241 636	345 001
Ex-gratia Payments		130
Administration Expenses	1 635 381	1 619 443
Unrealised Loss from Equities		2 095 434
Total Expenses (b)	5 000 645	6 973 937
Surplus for the Year (a-b)	5 306 501	1 910 093

STATEMENT OF FINANCIAL POSITION

For The Year Ending	2016 US\$	2015 US\$
ACCUMULATED FUND:		
Opening Accumulated Fund	34 165 306	32 255 213
Surplus For The Year	5 306 501	1 910 093
	39 471 807	34 165 306
EMPLOYMENT OF CAPITAL:		
Investments	35 970 556	31 585 726
Fixed Assets	248 837	238 722
Debtors Less Creditors	3 159 694	2 253 416
Cash In Hand	92 720	87 442
BALANCE OF FUND	39 471 807	34 165 306

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) - Retired 31 October 2016
 Mr. C. Mugumo (Employee Trustee)
 Mr. S. Murisa (Employee Trustee)
 Mr. P. Mushore (Employer Trustee)
 Mr. K. Moyo (Employee Trustee)
 Mr C. Dururu (Employee Trustee) – Joined 1 November 2016

Chief Executive Officer/Principal Officer

Mr Raymond Manhika
 (MBA, 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 2016



**Motor Industry Pension Fund Property
 Chicken Inn-Takawira (Opposite Tredgold building)
 Bulawayo**

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) 2016 Annual audited financial report to members.

This annual report provides a brief summary of MIPF activity for 2016 and some of its achievements. The investment markets experienced some volatility during the year as a result of some Policy measures implemented by Fiscal and Monetary authorities. Statutory Instrument 64 of 2016 was introduced to try and manage imports in the economy and this led to an improved uptake of local products as the local manufacturers were given some protection by the Government. Also in the 4th quarter we saw the introduction of the Bond notes in the market which traded side by side with the US dollar at a rate of 1:1. The above efforts were meant to deal with the spiralling import bill and giving exporters some incentives to generate more foreign currency, which had depleted in the various banks' nostro accounts. However, serious cash shortages were also experienced in the banking system.

Last quarter of 2016 saw a bull-run on the stock market which had the effect of reversing all losses that had been experienced during the first 9 months of the year resulting in the Industrial Index return of 25.84%. This was against a 2016 deflation rate of -0.93%. Against this background your Fund's balanced investments performed 12.50% against an internal benchmark of inflation plus 5% margin of 4.07%. Although the equities portfolio were the major driver of 2016 performance, all other asset classes such as Property and Fixed income also posted good real returns. Cumulatively since dollarization the Fund's return has grown by 228% against an inflation rate of 3.88% for the same period.

Total contribution income experienced a 5.35% reduction to \$6.3 million from \$6.7 million in 2015. This was a result of company closures and staff downsizing as the full effects of the Supreme Court ruling in 2015 became evident. However, the total asset value at year-end was up 15.25% from \$34.640 million to \$41.074 million.

Actuarial Valuation Results

Our actuarial valuation results continue to show a healthy financial position as evidenced by a huge surplus of \$3.1 million compared to \$1.9 million in 2015. Therefore, your Board has approved a bonus of 5.85% to Active members, Preservation and Dormant members as well as 1% pension increase to Pensioners. The Fund has also set aside a Bonus Smoothing Reserves (BSR) of 3.5% of market value of total assets meant to cushion members in bad years. The BSR has the effect of reducing the likelihood of declaring negative bonuses in bad years as the reserve is used to smoothen returns. The Fund Policy on BSR is to maintain a maximum of 5% at any given time. Cumulatively from the advent of dollarization in 2009 to 31 December 2016, the total bonuses declared to members amounts to 141.08% against an inflation of 3.88% for the same period. This means your Fund is on course to achieve the long term objective of providing a decent retirement if the member contributes consistently for an ideal 40 years working life and there is consistent future performance.

After the 2016 bonus declaration your fund is still sufficiently funded above the minimum funding level set by Insurance and Pensions

Commission (IPEC) of 75% at 104.5%. This means that your Fund has more than enough assets to meet all liabilities as at 31 December 2016. And also benchmarking against industry standards, we believe your Fund is way above Industry average.

Benefits Improvements

I am happy to announce that your Fund has been certified by the Actuary as financially able to review the death benefit from the current 18 times monthly salary to 24 times monthly salary effective 1 July 2017. This follows a three year period of actuarial analysis of the Fund's claims experience.

Further the Fund announces another benefit of the Fund assisted mortgage facility to all up to date contributing members who have been active members for at least Five (5) years. This will enable members' who need to buy stands, houses or extend their houses to access loans from the two main partnered banks namely POSB and NMB. The details of the facility will be obtained upon inquiry at our Offices in Harare and Bulawayo.

Administration

I am also pleased to announce that your Fund was sufficiently liquid to meet all claims which were submitted by members who exited the Fund in 2016. However, the Fund continued to experience slight delays in settling claims of members whose contributions were not up to date as at the exit date. Therefore, we continue to appeal to employers to be up to date with remittance of contributions and salary schedule returns in order for the Fund to have an up to date member's records as well as not to inconvenience members who exit the Fund. The Fund's 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 contribution remittances to the Fund.

Membership Statistics as at 31 December 2016

The Fund's membership as at 31 December 2016 is as follows:

No. of members as at 1 January 2016	45,920
New Entrants	1,960
Total	47,880
Resignations, Retirements, Retrenchments and Deaths In Service Claims	(1,367)
Total Membership	45,513
Pensioners (Former Members)	107
Beneficiaries-Spouses	16
Beneficiaries-Children	9

A total of 1,367 claims worth \$3.35 million were successfully processed and paid compared to 1,575 claims amounting to \$3.25 million in 2015 representing a claims value increase of 2.93%. The major contributor has been a significant rise in termination on notice claims and retrenchments triggered by the earlier-on mentioned Supreme Court ruling. 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 continues to strengthen its prudent investment strategy by investing in well-diversified assets with a view to long-term security, value preservation, high yielding risk managed and inflation sensitive or real return assets.

Below is the Pension Fund investment portfolio mix analysis for periods ending 2015 and 2016.



The Fund was 100% compliant with IPEC investment guidelines, prescribed assets as well as its internally set limits as recommended by the Actuary.

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 will continue to be enforced. Late remittances will now attract interest at the level of the Fund's unsecured overdraft bank rate.

Outlook

Your Fund has demonstrated resilience in bad times and going into the uncertain future, the Board has aligned its investments in defensive securities which we strongly believe will defend the portfolio and preserve value. The environment is expected to continue deteriorating making risk management a key aspect of the operations of the Fund.

Finally, I would like to announce my retirement from the Board on 31 May 2017 following some exciting years serving your interests. I wish my Successor all the best in continuing to grow this Fund into the future. I would like to record my thanks and appreciation for the support given to me as your Chairman and the entire 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