

## ABRIDGED FINANCIAL STATEMENTS YEAR-ENDED 31 DECEMBER 2017

### STATEMENT OF COMPREHENSIVE INCOME

| For the Year Ending               | 2017<br>US\$      | 2016<br>US\$      |
|-----------------------------------|-------------------|-------------------|
| Contributions                     | 5 658 815         | 6 304 850         |
| Net Investment Income             | 3 029 849         | 2 130 194         |
| Other Income                      | 1 508 456         | 11 265            |
| Unrealised Gain from Equities     | 11 236 673        | 1 860 837         |
| <b>Total Income (a)</b>           | <b>21 433 793</b> | <b>10 307 146</b> |
| <i>Less: Benefits Paid</i>        |                   |                   |
| Monthly Pensions                  | 91 844            | 98 485            |
| Withdrawals                       | 899 844           | 1 419 977         |
| Retirements                       | 448 260           | 828 624           |
| Retrenchments                     | 347 074           | 776 542           |
| Death in service benefits         | 397 332           | 241 636           |
| Ex-gratia Payments                | 1 076             |                   |
| Administration Expenses           | 1 676 410         | 1 635 381         |
| <b>Total Expenses (b)</b>         | <b>3 861 840</b>  | <b>5 000 645</b>  |
| <b>Surplus for the Year (a-b)</b> | <b>17 571 953</b> | <b>5 306 501</b>  |

### STATEMENT OF FINANCIAL POSITION

| For the Year Ending           | 2017<br>US\$      | 2016<br>US\$      |
|-------------------------------|-------------------|-------------------|
| <b>ACCUMULATED FUND:</b>      |                   |                   |
| Opening Accumulated Fund      | 39 471 807        | 34 165 306        |
| Surplus for The Year          | 17 571 953        | 5 306 501         |
|                               | <b>57 043 760</b> | <b>39 471 807</b> |
| <b>EMPLOYMENT OF CAPITAL:</b> |                   |                   |
| Investments                   | 52 849 252        | 35 970 556        |
| Fixed Assets                  | 236 538           | 248 837           |
| Debtors Less Creditors        | 3 881 976         | 3 159 694         |
| Cash in Hand                  | 75 994            | 92 720            |
| <b>BALANCE OF FUND</b>        | <b>57 043 760</b> | <b>39 471 807</b> |

## BOARD OF TRUSTEES

### Current Trustees

Mr. B Mswaka (Chairman) Appointed June 2017  
 Dr I. Murefu (Chairman) -Retired June 2017  
 Dr P.M Matupire (Employer Trustee)  
 Mr P. Chitando (Employer Trustee)  
 Mr. E. Edwards (Employer Trustee)  
 Mr. P. Mushore (Employer Trustee)  
 Mr. C. Mugumo (Employee Trustee)  
 Mr. S. Murisa (Employee Trustee)  
 Mr. K. Moyo (Employee Trustee)  
 Mr C. Dururu (Employee Trustee)

## Executive Team

### 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,  
 2613 Muirfield Road, Glen Lorne, Harare

## Auditors

Grant Thornton Chartered Accountants (*External Auditors*)  
 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

## Head Office address

### Motor Industry Pension Fund

Motor Industry House  
 77 Central Avenue, Corner 7th Street/Central Ave  
 Harare, Zimbabwe  
 Box A1018, Avondale

## Contact Details

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**Email:** [rmanhika@motorpension.co.zw](mailto:rmanhika@motorpension.co.zw)

[mnheta@motorpension.co.zw](mailto:mnheta@motorpension.co.zw)

[enquiries@motorpension.co.zw](mailto:enquiries@motorpension.co.zw)

**Website:** [www.motorpension.co.zw](http://www.motorpension.co.zw)

## MOTOR INDUSTRY PENSION FUND

### Summary Financial Statements as at 31 December 2017



**Motor Industry Pension Fund Property, 17 Chinamano Avenue, Harare. Property commissioned in January 2018.**

## 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 contribution 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

On behalf of the Board, following the retirement of my predecessor Dr. Murefu who illustriously and diligently served the Fund, I am deeply honoured by your vote of confidence. You had a difficult choice to make. I was one person on a list that included some of the leading figures in the country and I look forward to working with the existing Board of Trustees in our shared determination to achieve members' retirement expectations. This is a moment of personal honour for me, but also of deep personal responsibility. I do not take this lightly.

It is my pleasure to present you with the Fund's Annual Report and Financial Statements for the Financial Year ending 31 December 2017. I trust that this report will give you an informative update on the financial status of the Fund, as well as a summary of the investment strategy and performance over the last year and into the future. Despite the haemorrhage experienced in the Equities markets in the first half and last one and half months to year end, your Fund continued to benefit from prudent investment strategy in a very volatile market. The 2017 return was anchored by the Equities bull-run witnessed from October- Mid November period, decent property rental yields as well as dividend and interest income. Your Fund posted an excellent 40.15% return against an inflation rate of 3.46% for the same period. On a cumulative basis since dollarization the Fund's return has grown by 358.71% against an inflation rate benchmark of 2.34% for the same period.

Total contribution income experienced a 9.52% reduction to \$5.7 million from \$6.3 million in 2017. This was as a result of company closures and staff downsizing coupled with a number of voluntary withdrawals due to failures by some companies to pay salaries on time. However, the total asset value at year-end was up 42.73% from \$41.074 million to \$58.625 million.

### Actuarial Valuation Results

Our actuarial valuation results continue to show a healthy financial position as evidenced by a huge surplus of \$17.57 million compared to \$5.3 million in 2016. Therefore, your Board approved a bonus of 36% to Active members, Preservation and Dormant members as well as a 5% pension increase to Pensioners. The Fund continues to set aside a Bonus Smoothing Reserve (BSR) of 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% of market value of total assets at any given time. Cumulatively from the advent of dollarization in 2009 to 31 December 2017, the total bonuses declared to members amount to 189% against an inflation of 2.34% 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 2017 bonus declaration your Fund is still sufficiently funded above the minimum funding level set by Insurance and Pensions Commission (IPEC) of 75% at 105%. This means that your Fund has more than enough assets to meet all liabilities as at 31 December

2017. Again, against industry benchmark, we believe your Fund is way above industry average.

### Benefits Improvements

2017 was a milestone year, as your Fund launched a Zero deposit, Housing Scheme for members in partnership with POSB and NMB bank. I am pleased to announce that as at year-end, 22 members took advantage of this once in a lifetime opportunity to secure own accommodation and bought houses and stands. Therefore, I encourage all up-to-date contributing members who have been active members for at least Five (5) years to own a house before retirement. For more details, members can visit our Harare and Bulawayo offices and several of the above-mentioned banks' branches throughout the whole country to make your dream of owning your house a reality. It is our wish that all members retire with a decent home to stay thereby reducing destitution at retirement.

### Administration

I am also pleased to announce that your Fund was liquid to meet all claims, which were submitted by members who exited the Fund in 2017. 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 timeously remit contributions and salary schedule returns in order for the Fund to have an up-to-date members' records as well as not to inconvenience members when they exit the Fund. The Fund's internal target of claims payment is firmly in place at 5 days from date of receipt of all documentation provided the employer is up to date with all contribution remittances to the Fund.

### Membership Statistics as at 31 December 2017

The Fund membership and exit statistics as at 31 December 2017 is as follows:

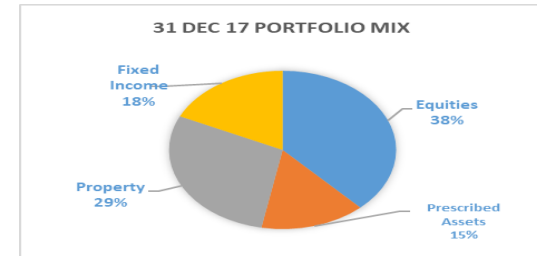
|   |               |
|---|---------------|
| No. of members as at 31 December 2016                                 | 46,513        |
| New Entrants  | 1,463         |
| <b>Total</b>  | <b>47,976</b> |
| Resignations, Retirements, Retrenchments and Deaths in Service Claims | (1,125)       |
| <b>Total Membership</b>   | <b>46,851</b> |
| <b>Pensioners (Former Members)</b>                                    | <b>106</b>    |
| <b>Beneficiaries-Spouses</b>  | <b>6</b>      |
| <b>Beneficiaries-Children</b>   | <b>8</b>      |

A total of 1,125 claims worth \$2.2 million were successfully processed and paid compared to 1,367 claims amounting to \$3.35 million in 2016 representing a claims value decrease of 34.33%. The major contributor has been the stabilisation of staff compliment within the industry after significant termination on notice claims triggered by the previous year Supreme Court ruling.

## 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, inflation sensitive and risk management strategy.

Below is the Pension Fund investment portfolio mix for the year 2017.



The Fund was 100% compliant with IPEC investment guidelines including prescribed assets as well as its internally set limits guided by the member profile and therefore recommended by the Actuary.

### Late contribution remittance penalty

We continue to remind Employers that the Minister of Finance gazetted 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 attract interest at the level of the Fund's unsecured overdraft bank rate.

### Outlook

Your Fund has demonstrated resilience in bad times and now going into what appears an exciting future following the new political dispensation means your Board has to align its investments in securities, which will grow more or in line with the new thrust. In the short-term the environment appears very uncertain due to the upcoming elections but the medium to long term looks very promising. Your Fund is liquid enough to take opportunities likely to pan out of the new dispensation after the election.

Finally, 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, IPEC and all those involved with the continued operations and growth of the Fund.

Mr B. Mswaka  
Chairman