

ZAPF Research Competition



THEME

“Ensuring long-term sustainability of retirement savings”



Terms of Reference

INTRODUCTION

The pension industry refers to the sector that manages and provides retirement benefits to individuals. It involves various financial institutions, such as pension funds, insurance companies, and asset managers, as well as government entities and employers. Pensions are a form of long-term savings designed to provide income and financial security during retirement. The pension industry plays a crucial role in helping people accumulate and grow their retirement savings, ensuring they have a stable income when they stop working. A principal factor in raising retirees' standard of living is the Zimbabwe Pension Industry. The industry has changed over the years, and new pension plans have been created to accommodate various macroeconomic conditions. Zimbabwe's current rating is defined by hyperinflation, with 557.20 percent. Due to the value of contributions and other factors, this has negatively affected the pensions sector. Extensive research and the creation of solutions are required to support pension funds in thriving in such an unpredictable macroeconomic climate. Aside from technical problems, the pension fund business has lost trust. Due to the inadequate provision of services and tragic prior occurrences that caused the deterioration of retirement benefits. It is imperative that people's confidence be restored.

Aims of the **RESEARCH**

- Potential development
- Improvement of the information systems
- Innovative ideas in terms of investment

OBJECTIVES

- To identify and analyse the key challenges faced by the pensions industry, including changing demographics, longevity risk, low-interest rate environment, investment risks, and regulatory complexities.
- To assess the investment risks faced by pension funds, including market volatility, asset allocation strategies, and risk management practices.
- To propose potential solutions and strategies to address the identified challenges, such as pension reform, innovative investment approaches, risk management techniques, and participant engagement initiatives.

Facts of the **PENSION INDUSTRY**

PENSION ADMINISTRATION AND MANAGEMENT

Operational Infrastructure: Pension administration involves establishing and maintaining the operational infrastructure necessary to manage pension funds effectively. This includes establishing administrative systems, technologies, and processes to manage member records, contributions, benefit calculations, and other fund-related activities.

Fund Governance and Compliance: Pension administration includes ensuring compliance with regulatory requirements and adherence to good governance practices. Administrators work closely with pension fund boards of trustees to establish policies, procedures, and controls that protect the interests of fund members and meet regulatory obligations.

PENSION ACTUARIAL

Risk Management and Mitigation: Actuaries analyse and manage the financial risks associated with pension funds in Zimbabwe. They identify and quantify risks such as investment risk, longevity risk, and inflation risk. Actuaries develop risk management strategies to mitigate the impact of these risks, ensuring the fund's financial stability.

Regulatory Compliance: Actuaries in Zimbabwe ensure compliance with regulatory requirements specified by the Insurance and Pensions Commission. They stay updated with changes in legislation, accounting standards, and actuarial guidelines, ensuring accurate and compliant actuarial reporting and disclosures.

PENSION INVESTMENTS

Investment Strategy: Pension funds in Zimbabwe develop investment strategies to achieve their long-term financial objectives while managing investment risks. The investment strategy typically includes determining asset allocation targets,

diversification guidelines, and risk management practices. The strategy aims to balance risk and return, considering the fund's liabilities, time horizon, and risk tolerance. Asset Allocation: Pension funds in Zimbabwe allocate their assets across different asset classes, such as equities, fixed income securities, real estate, and alternative investments. The asset allocation decision is based on considerations such as the fund's investment objectives, risk profile, expected returns, and market conditions. The allocation aims to optimize returns while maintaining an appropriate level of diversification.

PENSION FUND ACCOUNTING

Accounting for Pension Fund Assets: Pension funds in Zimbabwe account for their investment assets, such as equities, fixed income securities, real estate, and other investments. These assets are recorded at fair value or at cost, depending on the accounting standards applied. Changes in the fair value of investments are typically recognized in the income statement or other comprehensive income.

Pension Expense Recognition: Pension funds recognize pension expense in their financial statements. The expense includes contributions made by employers and employees, changes in the present value of the pension liabilities due to factors like service cost, interest cost, and actuarial gains or losses. The expense is typically recognized in the income statement or other comprehensive income.

PENSION FUND ICT

Communication and Engagement: ICT facilitates effective communication and engagement with pension fund members. Pension funds use email, SMS notifications, and online platforms to communicate important updates, benefit statements, regulatory changes, and educational materials. ICT tools enable personalized and targeted communication, improving member engagement and awareness.

Business Continuity Planning: Pension funds leverage ICT systems to develop robust business continuity plans. Data backups, disaster recovery solutions, and redundant infrastructure ensure that pension fund operations can continue uninterrupted, even in the event of system failures, natural disasters, or other disruptions.

PENSION FUND REGULATION AND GOVERNANCE

Regulatory Authority: The Insurance and Pensions Commission (IPEC) is the regulatory body responsible for overseeing and regulating the pension fund industry in Zimbabwe. IPEC sets regulations, guidelines, and prudential standards for the establishment, registration, and operation of pension funds. It also ensures compliance with legal requirements and supervises the industry to safeguard the interests of pension fund members.

Governance Structures

Pension funds in Zimbabwe establish governance structures to ensure effective oversight, decision-making, and accountability. This includes the establishment of boards of trustees or management committees responsible for overseeing the fund's operations. The governance structures define the roles, responsibilities, and fiduciary duties of

Terms of reference for **THE COMPETITION**

1. To come up with ideas that will enhance the pension industry
2. Participants are to be from any study program that is related to the pension industry
3. The duration of the competition is six months

ADJUDICATORS

1. Retired Industry Practitioners
2. Industry Practitioners
3. University Lecturers
4. Insurance and Pensions Commission (IPEC)

PRICES

1. Cash Prizes
2. University fees payment – Two semesters
3. Participation in ZAPF trainings – Conference, Convention
4. Eligible to study Certificate of Proficiency in Trusteeship (COP)
5. Laptops, tablets, mobile handsets etc

DURATION

1 July 2024 – 31 December 2024

There will be an adjudication and presentation ceremony to be held in January 2025.

For further information, please contact ZAPF Secretariate at training@zapf.co.zw

