NATIONAL REPORT FOR ZIMBABWE

Roger F G Poerscout-Edgerton, Zimbabwe

There are eight practising actuaries in Zimbabwe including one Zimbabwean national and some 30 students. Three of the actuaries are in consulting practice and the rest are employed by life offices.

The first years of Zimbabwe's economic structural adjustment programme have seen significant, if somewhat painful, changes to the economy with the removal or easing of price controls, foreign exchange controls and other controls. Consideration is now being given to privatisation of certain state controlled businesses. Government's policy for the second five years of the programme has not yet been published.

The changes have had a material impact on investment market conditions. Interest rates have generally followed changes in the rate of inflation which peaked at just under 50% in August 1992. Although inflation eased somewhat towards the end of 1993, inflation and interest rates remain at a relatively high level.

The drought of 1994/5, following so soon after that experienced in the 1991/2 season, has slowed the growth in the economy. Largely as a result of the drought, both the agricultural and manufacturing sectors have had a disappointing year in 1995 with output down in both sectors. Substantial budget deficits continue to be of concern and the continuing high inflation and interest rates are considered to be deterring potential investors.

Life offices and pension funds have invested a large proportion of their new money in short term investments in recent years to take advantage of the high short term interest rates. Statistical and financial information which provides some indication of the impact of the changes on inflation and interest rates in recent years is set out below.

Foreign exchange rates

Middle rates for Zimbabwe Dollar for spot transactions.

End of	US$	UK Sterling
Dec 1991	0.1980	0.1061
Dec 1992	0.1824	0.1208
Dec 1993	0.1442	0.0977
Dec 1994	0.1192	0.0765
Nov 1995	0.1079	0.0702

(Source: Reserve Bank of Zimbabwe)

Consumer Price Index

Percentage increase in the all items consumer price index:

Year to	Increase %
Dec 1991	39.7
Dec 1992	46.3
Dec 1993	18.6
Dec 1994	21.1
Nov 1995	26.3

(Source: Central Statistical Office)

Redemption yields on government stocks

Period to maturity (years)	1	5	10	15
Yield (% pa)				
End of 1991	19.7	25.0	26.3	27.9
1992	36.5	30.0	28.0	26.9
1993	27.0	21.5	19.0	17.0
1994	28.0	23.0	19.9	18.0
1995	27.2	24.2	19.5	18.5

Ordinary Share Indices

	Industrial Shares	Mining Shares	Dividend Yield % Industrial Shares
End of 1991	1953.61	388.28	6.1
1992	865.55	180.34	11.3
1993	2325.26	515.79	3.7
1994	3160.80	1043.06	5.4
1995	3972.62	1329.02	

(Source: Reserve Bank of Zimbabwe)

National Social Security Scheme

The Government introduced a National Pension and Other Benefits Scheme (national scheme) effective from October 1994. Briefly, the national scheme provides invalidity benefits, survivorship benefits and a funeral grant as well as retirement benefits. The retirement benefits are generous for those on lower levels of pay, although the death benefits are modest, particularly for those with limited national scheme contribution records.

The retirement benefits are payable from age 60 or later retirement from regular employment, but not later than age 65. If the member has paid at least 10 year's contributions, a pension is provided of 1⅓% of insurable earnings, that is basic salary or wages up to a limit initially of $4 000 a month, at the date of retirement for each year's contributions up to 30 years and 1% of such earnings for each year's contributions in excess of 30 years. If the member has paid less than 10 year's contributions a lump sum grant is normally provided.

On a member's death, survivors benefits are provided. If the member has paid at least 10 year's contributions, survivors pensions equal to a percentage of the employee's accrued or actual pension are payable. The percentage is 40% for an eligible spouse, 40% for eligible children, 12% for dependent parents and 8% for any other dependants. Where there is more than one beneficiary in any category, the benefits are shared between them. A grant is normally provided if less than 10 year's contributions have been paid. In addition a funeral grant of $2 000 is payable on death in service after payment of one year's contributions.

There are special provisions applicable to members who were over age 49 at the start of the national scheme. The legislation provides for the benefits to be reviewed annually having regard to changes in the level of earnings and the cost of living. To date no such review has taken place.

Contributions, initially of 3% of insurable earnings, are payable by both employers and employees.

Pension funds

The introduction of the national scheme represents a major shift in the provision of pension benefits for future service from occupational schemes to the state. Although some employers have adjusted their pension funds to reflect the benefit and contribution arrangements under the national scheme, most employers have delayed taking action pending clarification of how the national scheme will be operated in practice.

Apart from the introduction of the national scheme, other major issues having an impact on the design of pension schemes relate to the spread of AIDS, the need to exercise greater control over benefit costs and the legal requirement in Zimbabwe to avoid discrimination in benefit scales for employees of the same employer.

No new pension fund regulations have been issued since 1991. It is envisaged that changes will be made to the regulations in due course to reflect the introduction of the national scheme.

Life assurance

With the difficulties being experienced in the economy new life assurance business figures have continued to be somewhat depressed in recent years.

No new regulations have been made under the Insurance Act 1987 since those made in 1989.