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**PENSIONS AND EMPLOYEE BENEFITS GROUP ASSIGNMENT 1**

**Group Members**

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|  | NAME | REG NUMBER |
|  |
| 1 | Birimhiri Hailhim | R1813815 |
| 2 | Chitakunye Kumbirai | R187952G |
| 3 | Chivavaya Russell | R188058W |
| 4 | Katonha Kudzai | R187954F |
| 5 | Makado Kundai | R187979S |
| 6 | Mapfumo Tanyaradzwa | R187937B |
| 7 | Matawu Faithful | R182532C |
| 8 | Mhungu Takunda | R187977P |
| 9 | Mugore Darlington | R188015X |
| 10 | Murewa Treaviance | R187969A |
| 11 | Muzembi Lloyd | R187978D |
| 12 | Pasipamire Paidashe | R1810975 |
| 13 | Rondai Simbabrashe | R1810120 |
| 14 | Temayi Simbarashe | R189427W |
| 15 | Tembo Tanaka | R187942F |

* **Background of NSSA**

In Zimbabwe, the National Social Security Authority (NSSA) was constituted and established in terms of the NSSA Act of 1989, Chapter 17: 04. It is the statutory corporate body mandated by the Zimbabwean Government to provide social security. The Act commissions the Minister of Public Service, Labour, and Social Welfare to establish social security schemes for the provision of benefits to all employees. The Government of Zimbabwe introduced the NSSA pension scheme after the realization, that the nation had an inadequate social insurance system for the public. This realization was mainly fuelled by the concerns to reduce the socio-economic impact, that the public was suffering from, through the Economic Structural Adjustment Program (ESAP) from the late 1980’s. Currently, NSSA is administering two schemes: Pension and Other Benefits Scheme and Accident Prevention and Workers’ Compensation Scheme.

Its vision is ‘To be a world class provider of social security by 2030.’ Its mission statement is ‘to provide sustainable Social Security and Promote Occupational Safety and Health to all members through responsive schemes and services. Its corporate values are Professionalism, Accountability, Commitment, Transparency, Teamwork, and Integrity. The functions of the authority subject to the NSSA Act, include administering every scheme and fund established in terms of this Act, advising the Minister on all matters concerning the operation of schemes and on matters relating to social security generally. There are six chiefs for operational divisions, namely Chief Finance and Operations; Chief Contributions and Compliance; Chief Benefits, Research and Schemes Planning; Chief Investments; Chief Corporate Services; and Chief Occupational Safety, Health, and Rehabilitation Officer.

* **Governance of NSSA**

Board Members

NSSA is a social security organization governed by a board comprising representation from the employer representatives (EMCOZ), Government and employees’ representatives (ZCTU and ZFTU). Three board members represent the employer organizations. The Minister of Labor and Social Services is represented with names of capable board members from the employer organization based on their experience in administration, the minister appoints three members. After consultation with the employer organizations, the minister appoints another three board members. Having appointed another three members brings the total number of representations from the employees and employers’ organizations to six as per the National Social Security Act. The remaining three members come from the Social Security Authority. The board members are appointed based on their professional qualifications. The final board member is the General Manager acting as an ex-folio board.

Administration of NSSA

The administration is managed by the General Manager, (Aurthur Manasa). The General Manager has the overall accountability for the organization’s business affairs. Under the general manager are the six Chiefs for numerous operational divisions namely Chief Finance and Operations (Hope Tariro Mulilo); Chief Contributions and Compliance (Agnes Masiiwa); Chief Benefits, Research and Schemes Planning; Chief Investments (Brian Marwa); Chief Corporate Services (David Makwara); and Chief Occupational Safety, Health, and Rehabilitation Centre Officer (Dr Charles Shava).

Duties of the board members

The management of NSSA reports to the board and they implement the decisions. In terms of the Social Security Act, the board and the management are expected to promote a smooth provision of national social security focusing on the interests of the different stakeholders involved for example the employers who contribute to the scheme. Also, the Act authorizes the management to engage an actuary approved by the minister to use their skills in reviewing and evaluating every scheme using actuarial methods and experience.

* **Key financial highlights including any key actuarial issues**

An independent actuary conducts a regular actuarial evaluation of NSSA's schemes and makes suggestions on benefit and finance arrangements. Actuaries advise on the social security system's long-term stability and viability. Although the National Pension Scheme is established in such a way that a portion of current contributions might be utilized to fund current pensions, current pensions should ideally be paid out of the pensioner's past contributions and returns on those contributions' investment. When the multi-currency system was implemented in 2009, much of the value of those investments, except for real estate investments, was wasted. With effect from 1 January 2022, the NSSA Board recommends implementing a self-adjusting mechanism for benefits payouts that will see them pegged to the Reserve Bank of Zimbabwe's auction rate. Employers and employees both make equal monthly contributions to the Pension and Other Benefits Scheme. Employers are responsible for ensuring that contributions are deducted and paid to NSSA. The following is the contribution rate:

* 4.5 percent of the employee's insurable wages and 4.5 percent from the employer

The sum of 9% must be paid before the 1st of each month to the nearest NSSA office. The Minister of Public Service, Labor and Social Welfare released Statutory Instrument (SI) 108 of 2020 in the Government Gazette, which noted that the NSSA contribution rate had been increased from 3.5 percent to 4.5 percent of one's wage which effected from 1 January 2020.

Research has been conducted in collaboration with the government and technical experts with actuarial expertise to design a system for people in the informal sector to receive security benefits. The study's conclusions are currently being analyzed by technical professionals with actuarial expertise. According to the study, the decision to extend social security to the informal sector was necessitated by the assessment that informal business traders are having difficulty affording current monthly social security contributions and that the informal sector employs the majority of Zimbabwe's workforce, so the informal sector's unique characteristics must be addressed, in line with the National Development Strategy's vision 2030.(NDS1).

**REVENUE**

Most of the income is derived from the pension contributions($252 794 574), investment income($131 714 666) and net written premium($156 685 731) constituting 85.8% of the total income($630 452 149) as of 2018 and there remaining 14.2% from other income sources (David Makwara 2018).

**ASSETS AND LIABILITIES (CLAIMS)**

Financial performance from the consolidated statement of financial period as of 31 December 2018 was characterized by different types of assets which includes biological assets eg cattle livestock, intangible assets e,g goodwill, financial assets e.g, treasury bills and investment property eg land - undetermined future use, buildings – held to earn rentals and work in progress – the property that is being developed for future use as investment (Musarurwa T 2021). Approximately, 80% of their total assets($2 072 697 647) come from non-current assets ($1 696 681 960) which come mostly from investment and financial assets.

According to NSSA 2018 Annual Report, the financial highlight gave an indication of the total liabilities of $499 858 725, constituting 59.27% of non-current liabilities and 40.73% of current liabilities. Non-current liabilities mostly compromise of the investments contract liabilities with Discretionary Partition Feature (DPF) having 40% of the total non-current liabilities. Current liabilities ($203 549 100) compromising of deposits from customers and trade and other payables with 39% and 61% respectively.

* **Regulation and supervision of NSSA**

Oberholzer (2008) highlighted that all regulations governing statutory obligations are in Acts of Parliament. The Government regulates the amount of money to be deducted from employee salaries through determining or approving the maximum insurable earnings. NSSA pensions are deducted from insurable earnings, the percentage charged as well as the minimum pensions to be paid out which is however done through statutory instruments that are issued by parliament such as Statutory Instrument 60 and 61 of 2013. This bought about the changes in insurable earnings from $200 to $700, percentage deduction from 3% to 3.5%, and increase in minimum pension from $40 to $60. In 2010 the Government also ordered NSSA to reduce percentage deduction from 4% to 3% and ordered the adoption of a ceiling of $200 down from no ceiling ([www.nssa.org.zw](http://www.nssa.org.zw)).

National Social Security Act of 1989, Chapter 17:04, indicates that the Ministry of Labour is the backbone of the Accident prevention and worker's compensation scheme. It sets laws that govern the protection of employees against risks they might incur onsite. In addition, the Ministry regulates the provision of financial relief to employees and their families when an employee is injured or killed in a work-related accident hence, it encourages the adoption of health and safety legislation through factory and machinery inspection. The Ministry supervises NSSA to ensure clothing, safety devices are provided by employers, builders, and occupiers of factories for employees who handle specified working tools in the course of their work.

In NewsDay (2018), the Minister of Labour said work-related injuries and fatalities were too high when taken against subdued average capacity utilisation in the industry. Based on the statistics, as acknowledged by International Labour Organisation in 2015, Zimbabwe was losing more than 70 lives to work-related deaths every year. The government had fully embraced the Vision Zero initiative, which seeks to reduce workplace harm to zero and then in 2020, it approved the Insurance and Pensions Commission (Amendment) Bill, as NSSA regulator for losses they may incur by determining the level of such compensation, based on the different types of pension or provident fund.

IPEC ensures that the NSSA fund is properly administered. In pursuit of its mandate to protect the interests of scheme members, IPEC has, therefore, developed and issued a Guideline for the pensions Industry on adjusting pension values in response to the currency reforms in terms of Section 3 (1) (a) of Statutory Instrument 69 of 2020. IPEC uses this guideline as a form of regulating NSSA by providing standards and principles to be adhered to in the treatment of revaluation gains emanating from the recent currency reforms. This guideline is used to supervise NSSA performance by ensuring avoidance of a repeat scenario of the 2008-2009 challenges which resulted from the erosion of pension savings value by inflation.

* **Its coexistence with private occupational schemes.**

According to NSSA the public pension scheme-exists with any occupational or private  
pension scheme that workers may choose to contribute to, while in employment. The Private  
Occupational Pension Scheme established in 1991 is a pension plan set-up by the employer for the  
benefit of workers in withdrawal. The financing employer can contribute a defined portion  
towards the pension fund, which is a separate legal persona. The occupational pension scheme isn't mandatory therefore in some companies’ workers may choose not to contribute to the occupational pension scheme. In the Zimbabwean pension assiduity, the maturity of occupational pension schemes are DC schemes. DC schemes Bear workers to contribute a set chance of their paycheck and the quantum they ’re eventually entitled to will depend on how important was paid in over the times and how the investments have performed.

Occupational pension finances can either be tone- administered or ensured finances. They are generally defined environment of an existent’s employment, the government as an  
employer also has its pension scheme designed for its employers. When a person leaves that employment, they're generally reimbursed their pension benefactions or arrangement is made for a transfer to another pension scheme. The NSSA pension scheme was created to attend with occupational pension finances, which is why deductions are limited below other pension schemes. The preface of Statutory Instrument 169 of 2021 meant that the insurable payment cap is now set at 75 percent of the total Consumption Poverty Line with the law applicable to a ménage with a normal of five people.

Under the public pension scheme that's administered by NSSA, all workers and employers are obliged to contribute to the scheme, independent of whether they're also making benefactions to a  
Scheme. Most Zimbabweans are contributing to two pension schemes which are occupational pension and the public pension scheme administered by NSSA. They generally pay further to the occupational pension scheme; this is since under occupational schemes.

* **Challenges, and opportunities**

Challenges

As a quasi-parastatal and key economic player, NSSA is not immune to the existing challenges facing the broader national economy. Chief among these factors is the accelerating inflationary pressures with a month-on-month rate of 72.% (March 2022), depressed economic activity and foreign currency shortages. This has resulted in inflation-adjusted asset growth being hampered, thus a lower balance sheet growth and lower real ROI resulting in unsubstantial payable pension benefits averaging around $30US for retired civil servants. This also has a domino effect of brooding scepticism and public reluctance to participate in the national pension system.

There is an upward trend increase in aggregate NSSA claim amounts (increasing by 19% in 2018) due to natural growth in pensioners and pensions adjustments affected in July 2018 as a result of establishment of a central bank-backed fixed exchange rate system. The period has additionally been marked by the liquidity crunch and erratic corporate cash flows resulting in late premium collection hence substantial premium credit losses. NSSA has also been struggling to obtain and retain a competent and qualified workforce(for example actuaries) that grows and develops the brand, this has been a result of the exodus of qualified workforce to the diaspora.

The proliferation of SMEs and informal trade which employs an estimated 60% of the population has led to difficulty in enforcement of NSSA regulations and some employers not complying with establishing NSSA contributions for their employees. This has the effect of exclusion of a significant workforce from the national pension system inhibiting NSSA from achieving its mandate. The lack of ICT tools and up to date Data Systems has brooded fraudulent claims due to deceased individuals' benefits not being timely halted. Additionally, growing private occupational pension schemes have also incapacitated NSSA to collect meaningful contributions from low-income earners without eroding the net disposable income of employees.

Opportunities

Innovation is the best tool to seize opportunities. NSSA has a ready diaspora market. Zimbabwe is sustained by agriculture and mining operations, some of these workers are already alienated from the existing national pension system, it can introduce voluntary products for this vital market segment and lobby the government to introduce legislation to motivate participation. Equally viable opportunities exist to craft multi-currency benefits for example USD pay-outs) to counter inflation fears, this would result in encompassing a diverse portion of the market relying on alternative private pension schemes.

* **Other information as may be deemed necessary.**

The National Social Security Authority (NSSA) and Zimbabwe’s Vision 2030

According to Zimbabwe’s Vision 2030 the people of Zimbabwe aspire and are determined to achieve an Empowered and Prosperous Upper Middle-Income Society by 2030. The pursuit of this vision will deliver broad based transformation, wealth creation and the expansion of economic opportunities for all Zimbabweans, leaving no one behind. In pursuing the mantra, the Government developed the Transitional Stabilisation programme (2018-2020), the National Development Strategy 1(NDS1) (2021-2025) and (2026-2030) Medium-Term Development Strategy, centring on provision of key public infrastructure and services delivery.

In line with the objectives of Vision 2030 and the NDS1 (2021-2025) with the main aim being to improve the lives of all Zimbabweans, the NSSA is currently preparing recommendations to the government for a social security scheme to cushion traders in the informal sector from the unique economics vulnerabilities they encounter in their day to day lives. According to NSSA, the formal sector has been the main focal point, yet the International Labour Organisation, ILO (2018) revealed that over 75% of Zimbabwe’s workforce is in the informal sector excluding agriculture. The feasibility study has already been undertaken by an international consultant financed by the International Labour Organisation and in partnership with the government and NSSA.

In 2021, NSSA also highlighted the launch of NSSA Pensioners’ Loan facility, in which US$2 million was invested and this initiative is in support of the organisation’s vision of being a world class social security provider by 2030 and the government’s Vision 2030. The loan facility was designed for individuals who receive their NSSA pay-outs, whether as pensioners or beneficiaries. This came after a realization that the end of an active working life should be an exciting time, when various opportunities can be pursued, such as starting your own business. It is NSSA’s belief that the loans can fund income generating projects, such as poultry, horticulture, carpentry, or any other businesses thereby fighting poverty.

According to the Harare Bureau (2021) adequate energy especially from renewable sources is key in the implementation of the projects set out in the National Development Strategy 1 (NSD1) and to the achievement of Vision 2030 of attaining upper middle-income economy. In support of the untiring efforts by the Government of Zimbabwe to provide renewable energy, NSSA together with Old Mutual ventured into a joint project investing $US30 million on Centragrid Solar Power Plant in Nyabira, Mashonaland West Province.

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