



PENSION ACT 2023 MADE SIMPLE

More Inside:

- How safe is my pension money?
- When can I get my pension money?
- Where is my pension money invested?
- How much will I get when I stop working?





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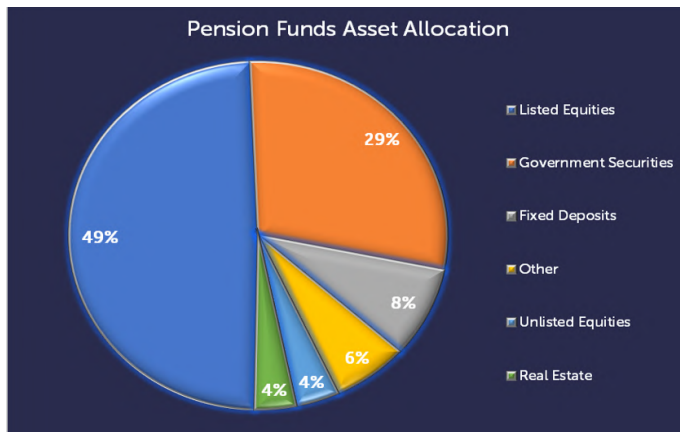
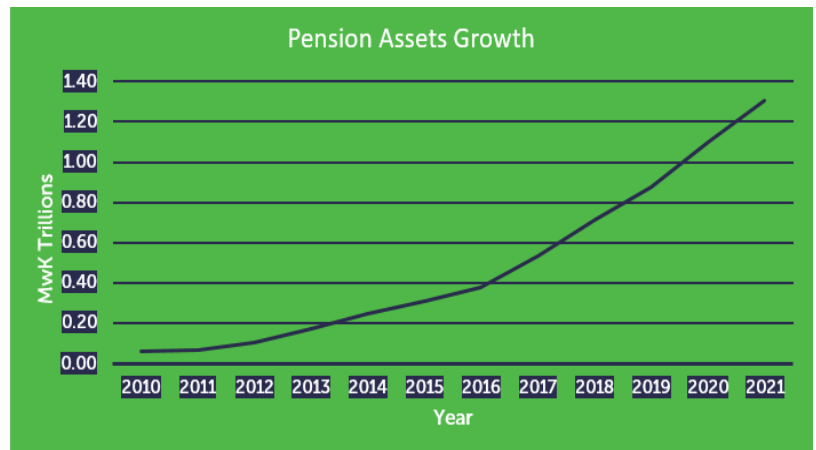
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Malawi Pension Industry Development

Pension Assets Growth

The assets under pension administration in 2021 were 21 times the size they were in 2010 when the pension act was introduced. The total pension assets are sum of pension contributions plus investment returns earned on the pension contribution money.

The total pension benefits as at March 2023 are estimated to be around MwK1.7 Trillion.



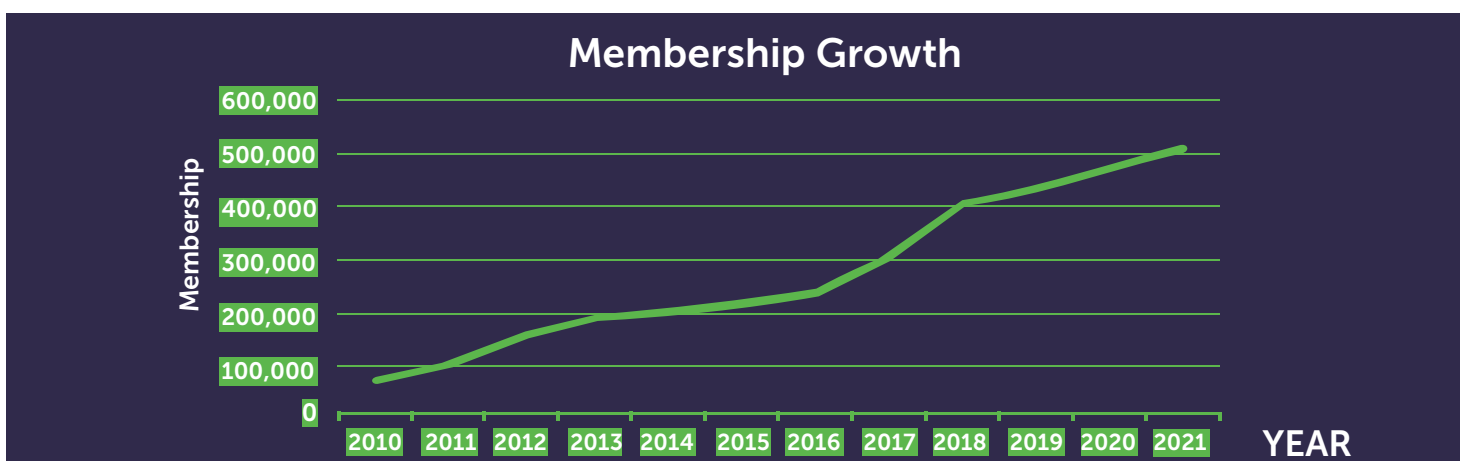
Asset Allocation

Pension money is invested in different assets in Malawi and earns interest which is given to members. Pension money does not sit idle. The majority share of pension money is invested in various companies operating in Malawi via the Malawi Stock Exchange.

Companies listed on the Malawi Stock Exchange include TNM, Airtel, Illovo, Standard Bank, Press Corporation Limited and MPICO amongst others.

Membership Growth

Pension Fund membership has grown from 73,837 when the Pension Act 2010 was introduced 12 years ago to 509,552 as at 31st December 2021. Zamara Pensions Administers benefits for around 20% of the members on pension in Malawi





Aims / Objectives of the New Act

- Ensure that every employer to which the Pension Act applies provides pension for every person employed by that employer;
- Ensure that every employee in Malawi receives retirement and death benefits as, and when, due;
- Promote voluntary savings for retirement;
- Promote the safety, soundness and prudent management of pension funds or provident funds; and
- Foster agglomeration of national savings in support of economic growth and development of the country.
- Objective 'c' is a new addition to the objectives. The other four are carried over from the previous act, Pension Act 2010.



Safety of Pension Funds

Role of the RBM

The Reserve Bank of Malawi as registrar of financial institutions regulates the activities of the key institutions operating in the pensions industry to ensure safety of member benefits. Some of the functions the RBM performs include,

- Advising the Government on pension policy in Malawi
- Carrying out on-site inspection and off-site surveillance of pension entities to ensure compliance with Pensions Law
- Receiving, investigating and making judgement on complaints regards pension

Provisions for Protection of Benefits

The Pension Act 2023 has several restrictions to protect pension benefits which include,

- Pension benefits cannot be attached, sequestrated or levied upon for or, in respect of, any debt or claim whatsoever. This means your pension benefits can only be paid to you upon consent and cannot be withdrawn/used even by your employer if they are in need of money.
- Pension benefits do not form part of your estate in the event of death.

Innovating Prosperity for Africa

Being part of Zamara is being part of a mission to change the game and break the mould.

We help businesses and individuals across Africa to align their financial goals with innovations and strategies that efficiently create measurable and scalable financial wellness. Our intent is to build a continent of full autonomy, supporting people in living their best lives possible through financial resilience and prosperity at individual, organisational and societal levels. Zamara Group has a footprint in **Kenya, Malawi, Uganda, Tanzania, Rwanda, Nigeria and The Democratic Republic of Congo.**



International affiliations

Zamara is the local appointed administrator for Mercer in East Africa, with talks in advanced stages, to extend the partnership to the rest of Africa.

Mercer is a wholly owned subsidiary of Marsh & McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people.

Through this partnership, Zamara has been able to leverage vast strength and depth of global skills and technology to improve customer experience.



Pension Enrollment & Life Insurance

● Mandatory Auto-Enrolment

Enrolment onto pension is mandatory as soon as you start employment, there is no waiting period. If your employer does not enrol you onto a pension scheme, the registrar of financial institutions will issue them a warning or penalize them for non-compliance with the provisions of the Pension Act 2023. A monetary penalty can be up to Mwk100 million.

● Life Insurance

Your employer is required to have a life insurance policy for you which will pay a minimum of your annual salary if you die whilst employed. For example, if you earn Mwk800,000 per month, the minimum life insurance cover should be Mwk9.6million. If you die whilst in service, the life insurance money (sums assured) will be paid into your pension account and subsequently paid to your beneficiaries.

If you are no longer employed but still have pension benefits you have not withdrawn, you can use the interest earned on those preserved/retained benefits to pay for your life insurance cover.



Contributions & Interest

● Contribution Rates

The mandatory minimum contributions towards pension are 10% of pensionable emoluments (Gross Salary) by the Employer and 5% by the employee. However, the employer can elect not to deduct 5% from your salary and contribute the entire 15% on their own.

As a member of a pension fund, you can make additional voluntary contributions towards your pension beyond the mandatory 5% which is deducted by your employer.

When contributions have been paid into a pension fund, they are invested in various assets and earn an interest which is credited to your pension account. Most pension funds declare interest/bonuses to be paid to member accounts annually.

● Contribution Deadline

The contributions toward pension should be paid to the pension fund no later than 14 days after the end of the month in which they are due. For Example, contributions for the month of May 2023 should be made by the 14th of June 2023.

If your employer fails to make the contribution on time, they must pay interest for the days the contributions have been outstanding. This interest is paid into your pension account. The current rate of interest to be paid if contributions delay is the 'policy rate plus 10%' (i.e. 22% plus 10% prorated for the period the contribution is outstanding).



Voluntary Pension

a. Personal Pension

Whether you are employed, unemployed or self-employed, you can open a personal pension account where you make contributions at an agreed rate with your pension plan provider.

Your personal pension account will be made up of a 40% personal savings portion and a 60% pension benefits portion. Contributions made to your account will be split in that ratio.

Example:

Getting Personal Pension Money

If you have saved for at least 5 years, you can withdraw part or all of the money in the personal savings portion (40%) of your pension account. The pension benefits portion will only be paid to you as a lumpsum when you retire.

If however, you have saved for at least 10 years, and have not made any prior

withdrawals, you can withdraw all of the money in your personal pension account, i.e. personal savings plus pension benefits portion.

b. Provident Fund

In addition to the mandatory occupation pension schemes, employers can set up provident funds to enhance member benefits at retirement or exit from employment. The contribution rates towards a provident fund are not prescribed by law and payment from the fund can only be made as a lumpsum at retirement, death or cessation of employment.

Pension Benefits in the mandatory occupation pension scheme can not be transferred to/from a personal pension or provident fund. It is also not possible to transfer benefits between personal pension and provident funds.



Early Withdrawal of Pension Benefits

Hardship Withdrawal – You can withdraw part or all of your pension benefits if you have been unemployed for a period of 3 months. If your total benefits are above a set threshold, currently Mwk500,000, you will only withdraw the employee portion of your pension account, i.e. the 5% contributions) you made plus interest earned on it. The employer portion will only be accessible at retirement.

Example:

Peter will only get Mwk250,000 if he is unemployed for atleast 3months because his total pension benefits are above Mwk500,000. If the registrar revised the threshold to say Mwk1million, Peter would be paid all the money in his account.

Member Name	Employee Portion	Employer Portion	Total Share Account	Benefit Payment	Deferred / Preserved
Chikondi	150,000	300,000	450,000	450,000	-
Peter	250,000	500,000	750,000	250,000	500,000
Alice	600,000	1,200,000	1,800,000	600,000	1,200,000

Emigration – If you are about to leave or have left Malawi permanently you can access your pension benefits. 50% of your total pension benefits will be paid upon approval of your application and the balance will be paid after 12 months. There is no threshold or waiting period for payment.

Pre-Retirement – You can get 50% of your total pension benefits even if you are working if you have 5 years or less left to retirement. There are no thresholds applied nor waiting period when applying for a pre-retirement withdrawal and you don't have to be unemployed to access it. However, the balance on your account will only be accessible at retirement subject to retirement thresholds and conditions.

Example:

Suppose you are 46 and your organisation's retirement age is 50. You can apply to get 50% of whatever is in your pension account.

Scheme Retirement Age	Member Age	Employee Portion	Employer Portion	Total Pension Benefits	Benefit Payment (50%)	Deferred / Preserved
50	46	6,000,000	12,000,000	18,000,000	9,000,000	9,000,000

Zamara Pensions Advisory – It is advisable to talk to a financial advisor before accessing your pensions before retirement. You can talk qualified financial advisor at **Zamara**

Welcome to the world of Zamara Pensions

As an individual, an SME or a corporate institution, the financial advice and solutions that you access play a critical role in your financial success. The financial world today is a fast paced, ever-evolving and complex jungle with increasing risks for the consumer.

Specialising in actuarial, retirement funds administration and management and insurance solutions, Zamara as your partner makes it easier to navigate the financial world to achieve your goals. Zamara has a rich heritage spanning over 23 years. The firm started in 1994 as a niche actuarial firm initially operating as Hymans Robertson. In 2003, the firm became part of the Alexander Forbes Group before adopting the new corporate identity Zamara in 2017.

Since our inception in 1993, Zamara has grown in terms of size, client base and our offering of solutions. We have been at the forefront of our industry, setting standards in line with international best practice and driving innovation to meet emerging client needs. Zamara carries the qualities that our clients love us for - service orientation, unparalleled expertise and unwavering commitment and reliability.



Actuaries

From your first pay cheque to your last, our seasoned financial planning actuaries help you make sense of your financial wellness journey to provide you with peace of mind, now and for a lifetime.



Administrators

We offer investments and pension solutions that help you live more secure future, organizations build a more secure business and non-profits, opportunities to fulfil their mission and do more good.



Insurance Brokers

We provide both businesses and individuals a holistic and insightful approach to risk management. Together, we structure relevant and specific insurance solutions including general, health and life covers.



Consultants

We advise both businesses and individuals on finance, risk and investments with in-depth experience and high expertise in modeling techniques, valuation and strategy.

Pension Benefits at Retirement



Can be accessed **under 4 retirement** options and there is no waiting period to receive your benefits.

- Early Retirement – If you have reached the minimum statutory retirement age of 50 but not your organisation's retirement age e.g. retiring at 55 when company's retirement age is 60.
- Normal Retirement – When you reach your organisations retirement age ranging between 50 and 70.
- Service Retirement – If you have worked for a continuous period of 20 years with one employer
- Permanent Disability – Having been medically certified that you are permanently disabled to work due to a medical condition.

All forms of retirement highlighted above are subject to thresholds when benefits are paid.

Age at Retirement	Total Pension Benefits (MwK)		Threshold	Lumpsum Payment Programmed (Max. 50%) Withdrawal	
	52	5,200,000	5,245,000	5,200,000	
55	5,200,000	4,944,000	2,600,000	2,600,000	

If your total pension benefits are below given threshold, you will be paid all your benefits as a cash lumpsum. If your total pension benefits are above the threshold, you can only get 50% as a cash lumpsum and the remainder is used to either purchase an annuity or programmed withdrawal plan.

Age at Retirement	Threshold (MwK)
50	5,440,000
51	5,343,000
52	5,245,000
53	5,146,000
54	5,045,000
55	4,944,000
56	4,843,000
57	4,742,000
58	4,640,000
59	4,538,000
60	4,436,000
61	4,334,000
62	4,232,000
63	4,131,000
64	4,030,000
65	3,930,000
66	3,831,000
67	3,733,000
68	3,638,000
69	3,544,000
70	3,453,000

Our world of Services & Solutions

As leading financial services provider in Malawi, we take pride in creating a financially future for our members and customers. Customer centricity and value addition is central to our over-arching business strategy.

We believe that our innovative approach sets us apart in providing solutions that only meet global standards but also are tailored to our local needs.

Our services and solutions fall into three categories;

- ✓ **Business Solutions**—Pension Fund Administration, Gratuity Fund Administration, Corporate Trusteeship, Provident Fund Administration and Fund accounting.
- ✓ **Individual Solutions**—Individual Pension Plans.
- ✓ **Pensions Advisory and Consultancy**—Trustee Trainings, Financial Planning Training & Retirement Planning Training



Pension Benefits at Death

When you die, your total death benefits are paid out to the beneficiaries listed on your Nomination of Beneficiaries form. You are required to complete a Nomination of Beneficiaries form within 30 days of becoming a member of a pension fund and update or confirm in writing the nomination every 24 months.

If you have not completed a nomination of beneficiaries form or the one completed is not current, trustees of the pension fund will pay your benefits to either your widow/widower, children, close relatives or anyone else deemed to have been financially dependent on you at the time of death. You should therefore ensure that your nomination of beneficiaries form is always up to date.

Death Benefits Example

Employment Status at Death	Employee Pension Portion	Employer Pension Portion	Life Insurance - Sums Assured	Total Death Benefits
Employed	6,000,000	12,000,000	9,600,000	27,600,000
Unemployed Without Life Insurance	6,000,000	12,000,000	-	18,000,000
Unemployed With Life Insurance	6,000,000	12,000,000	10,000,000	28,000,000

If any of your beneficiaries are below the age of 18 (a minor), their portion of the death benefits will be kept in a pension fund under trust and earn interest until they reach the age of 18. Trustees of the fund will be able to pay at request, some of the money to the minor's guardian for upkeep, education or other welfare costs as deemed appropriate.



Unclaimed Benefits

If your pension benefits are due for payment and you cannot be traced or found for a period of 7 years, your benefits shall be designated unclaimed. Anyone who proves to have been financially dependent on you after the lapse of the 7 years will be paid your benefits. If trustees cannot find anyone who was financially dependent on you, your pension benefits will be transferred to the registrar of financial institutions, the Reserve Bank of Malawi.

If you or anyone else later claims the benefits from the registrar, you will have to produce evidence of entitlement which satisfies a court of law. It is therefore important that you keep track of your pension account and merge all occupational pension accounts into one if you have been part of several pension funds.

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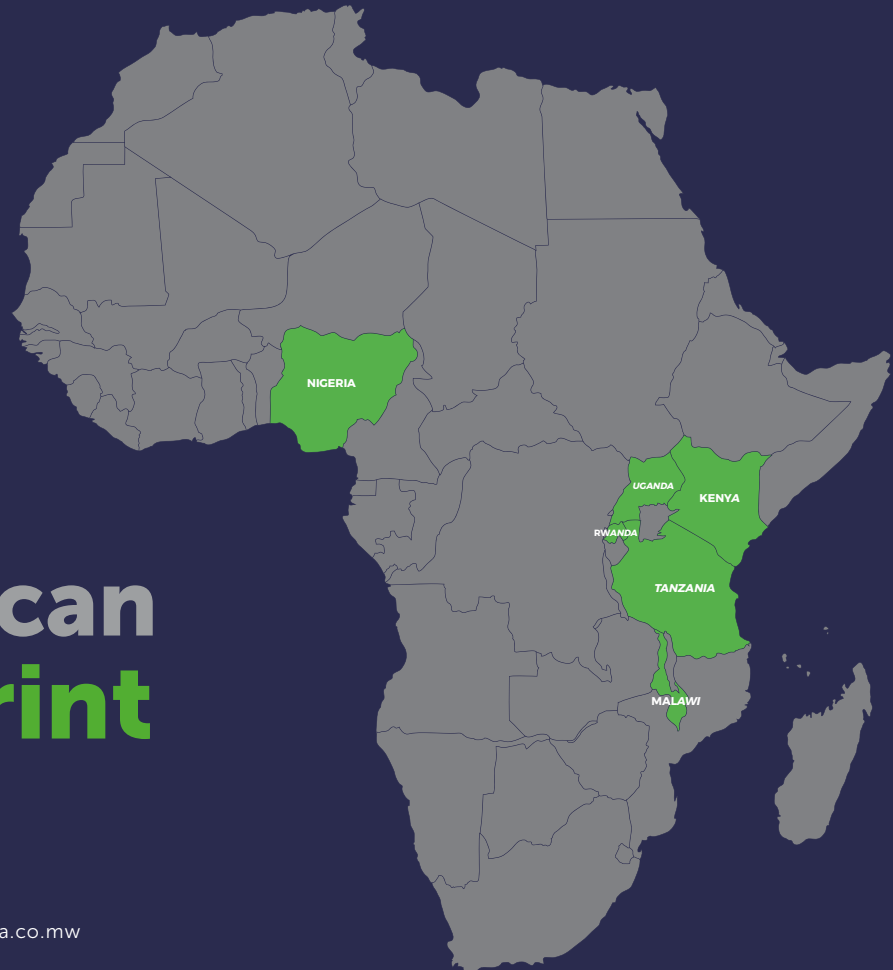
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Pension Act 2023

References

1. Aims & Objective of The Pension Act – Section 4
2. Safety of Pension Funds – Section 7, 99 - 102
3. Mandatory Enrolment onto Pension Scheme – Section 10
4. Contribution rates Towards Occupational Pension – Section 12
5. Contribution Deadline & Late Payment Penalty Interest – Section 13
6. Mandatory Life Insurance – Section 14
7. Voluntary Pension Funds – Section 17 – 20
8. Early Withdrawal of Pension Benefits – Section 87 – 89, 91 – 93
9. Pension Benefits at Retirement – Section 87, 89 – 93
10. Pension Benefits at Death – Section 87, 89, 91 - 98