



**ZIMBABWE**

**MINISTRY OF HIGHER AND TERTIARY EDUCATION**

**HIGHER EDUCATION EXAMINATIONS COUNCIL  
(HEXCO)**

**NATIONAL DIPLOMA**

**IN**

**PENSION MANAGEMENT**

**SUBJECT: Retirement Planning**

**PAPER NO: 571/S03**

**2011 SUPPLEMENTARY EXAMINATION**

**REQUIREMENTS**

**INSTRUCTIONS TO CANDIDATE**

**Answer any 5 questions.**

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*This paper consists of 3 printed pages.*

PAPER NO: 571/SO3 – RETIREMENT PLANNING

QUESTION 1

- (a) Discuss three (3) conditions under which a person can legally leave his job and get a pension plus commutation. (15 marks)
- (b) Death and ill health are the biggest barriers to a sound retirement planning process. Explain why this is so. (5 marks)

QUESTION 2

- (a) Compare and contrast a pension fund with a provident fund. (10 marks)
- (b) Differentiate a defined benefit from a defined contribution retirement plan. (10 marks)

QUESTION 3

Define is a retirement annuity? In your explanation show the understanding of the following accumulation period, liquidation period, annuity due, ordinary annuity, fixed and variable annuity, annuitize and annuity starting date. (20 marks)

QUESTION 4

- (a) Rosemary Mutasa is 60 years old, and retired on 1 September 2003. She was employed by PP Pension Funds since 1985. The employer contributes 50% to a Pension fund for its employees. Over the years her contributions exceeded the limit by \$35 000. She will receive \$10 000 per month in arrears with effect from 25 September 2003. Her life expectancy is 10 years.  
Calculate her taxable income for the 2003 tax year. (10 marks)
- (b) Explain the importance of the date 1 July 1960 in pension law. (2 marks)
- (c) Explain the following:  
(i) Old benefit or pension fund.  
(ii) Semi – old benefit or pension fund.  
(iii) New fund pension or benefit. (6 marks)
- (d) Why does a retiree needs to know about the taxation of his pension benefits? (2 marks)

QUESTION 5

Compare an insurance administered and self administered pension fund. (20 marks)

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QUESTION 6

(a) Explain how the following benefits become pension and the tax implications:

- |       |  |           |
|-------|--|-----------|
| (i)   | Withdrawal benefit                       | (5 marks) |
| (ii)  | Retrenchment package                     | (5 marks) |
| (iii) | Benefits on winding up of a pension fund | (5 marks) |

(b) Highlight causes of winding up of a pension scheme and options that are available to the members of the scheme? (5 marks)

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