

NOTICE OF CONVERSION FROM DEFERRED ANNUITY PURCHASE DEFINED BENEFIT SCHEME TO DEFINED CONTRIBUTION SCHEME

BACKGROUND

Effective from 1st January 2026, CIPF funding basis will be converted from a Deferred Annuity Purchase Defined Benefit (DB) Scheme to a Defined Contribution (DC) Scheme. The Board of the Fund resolved to undertake the conversion process due to a number of factors key among them are:

- Under the Deferred Annuity Purchase Defined Benefit Scheme, Fund Rules provided for a purchase of a pension in advance at the point of making contributions rather than at the retirement point. This caused challenges where employers do not remit contributions on time;
- Pension purchased in advance was guaranteed for life regardless of Fund performance and operating environment;
- In times of negative Fund performance, deficits would then emerge, ie, less than 100% funding levels resulting in deficits;
- Fund Rules did not provide for how the funding gap would be funded.
- This was of concern to the Board of Fund because it posed funding and solvency risks, hence it became necessary to convert the funding basis;
- In 2019 the Pensions Regulator also directed that the funding basis be changed to address the potential funding and solvency risks.

EFFECT OF THE CHANGE

- In general, the conversion has not changed how the Fund operates. The major change is that; going
- Members will now purchase a pension at the point of retirement rather than at the point at which contributions are made to the Fund and the benefit on death has increased.
- All other aspects of the operations of the Fund remain unchanged.
- All other pension benefits such as resignations and retrenchments remain the same as these are based on a refund of contributions made into the Fund plus interest earned from investments.
- Furthermore, contributions rates will remain 5% for the employer and 5% for the employee portion of contributions.
- The alignment of the Fund Rules has not resulted in any financial loss to members' benefits.
- The members' accumulated actuarial values as at 31st December 2025 will be carried forward to be the opening balances as at 1st January 2026 under the DC scheme.
- Benefit Statements will be provided to members to enable them to verify and compare the opening Balances as at 1st January 2026.
- Retiring members in the next 3 years from January 2026 will have their pensions under the new DC structure compared with pensions under the DB to ensure benefits are not lower than anticipated.

SUMMARY OF BENEFIT CHANGES

- Redrafted Rules will be subject to approval and registration by IPEC.
- Retirement pensions will be determined by actuarial factors at retirement age as opposed to the current practice where pension is purchased when contributions are paid into the fund.
- Actuarial factors can be subject to change due to longevity assumptions and expected long-term investment return from the Fund's assets.
- The Death Benefit will be an amount equal to the member's annual salary
- The benefits in respect of pensions in payment have not been converted to DC.
- These pensions in payment are not affected by the change.
- Resignation benefits will not be affected by the change.

DB Scheme	DC Scheme
Promises a specified pension amount in advance (Benefit is "Defined" in advance)	Pension amount cannot be known in advance as it is driven by investment returns and contributions amount.
Contribution Rate may change especially for the employer depending on funding levels.	Contribution Rate is "Defined" (fixed and known in advance).
Pension known in advance as it is based on a retirement formula, e.g., a % of final salary	Pension amount cannot be known in advance, determined at retirement point
Pension amount mainly driven by salary, e.g., final salary	Pension amount driven by investment returns and contributions amount.
Employers make additional contributions to cover funding gaps	No funding gaps as assets are matched against liabilities