Carlyle Partners
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MONTHLY NEWSLETTER

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How to use Complimentary Pension Funds to attract and retain unicorns in your company

By **Eduardo Madope***

It can be challenging for companies to attract and retain their unicorns, especially for growing companies, who are still establishing themselves in the market, such as technology and consultancy companies, whereby people are their most valuable asset.

“Unicorn” is a term used define one or several talents who greatly contribute to the positive outcome and performance of a company and may not necessarily have managerial or senior roles.

The most obvious approach by HR Managers is to immediately increase salary and other benefits such as company car, leave allowance, health and funeral insurance, cellphone allowance, housing allowance, food allowance, reducing working hours on Fridays, and even increasing the number of days off.

However, due to the immediate impact of these benefits, they can quickly be replicated, upgraded, and offered by competing companies, encouraging the unicorn to accept new offers.

The challenge is preventing the unicorn from leaving the company prematurely, therefore there is a need to increase the level of attraction and retention, by deferring the attractive benefit to the future.

The best way to create an attractive deferred benefit is through the implementation of a complimentary pension fund. The more the unicorn remains in the company, the bigger the benefit, making it difficult for the unicorn to even consider leaving the benefit and the company behind.

In case the company already has a Complimentary Pension Fund, and still struggles to retain unicorns, then the company should consider increasing or adjusting the pension plan in accordance with what the unicorn values the most at that stage. For example: a pension plan that caters for spouse and children benefits in the event of death of the employee doesn’t have any impact on a unicorn that is still single as it would have for a unicorn that is married, with dependents.

In this sense, the company must ensure that the pension fund suits and fits the collective needs but, at the same time, allowing for a level of flexibility, by creating as many pension plans as necessary, inside the pension fund, in order to align benefits that are suitable for each niche of unicorns. Each unicorn can migrate to a different plan in accordance with his/her career stage.

We leave the pension fund managing entities with a challenge which is, instead of providing a single pension plan per fund, they must seek to engage with the companies to understand the needs and align the pension funds to a strategic HR Management. Even if each unicorn has his/her pension plan – like Mia Couto says: “Each man is his race”!

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The evolution of Pension Fund asset allocation in Mozambique

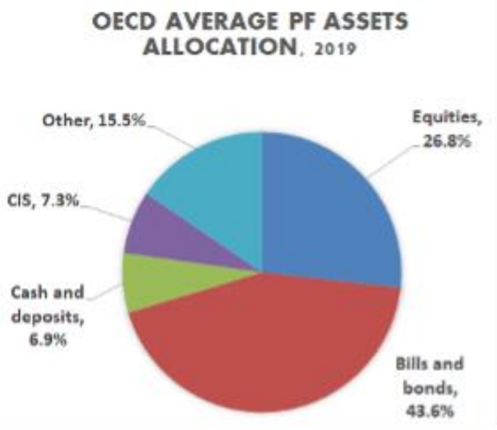
By **Alberto Pitoro***

In the previous edition we have noted that financial markets have a variety of asset instruments with specific risk and return characteristics.

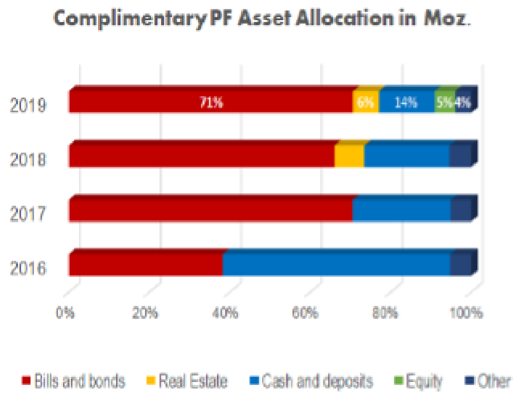
In Mozambique, complimentary pension funds are relatively new, nevertheless, there has been a remarkable evolution with regards to the asset allocation by different categories. According to information provided by the Insurance Supervision Institute of Mozambique (ISSM), in 2016, complimentary pension funds had most of its assets (almost 60%) in cash and deposits. As a general rule, these instruments have a low risk and low return profile.

Still according to the ISSM, in 2019, the same complimentary pension funds were more diversified. Investments in debt instruments increased from 38% to 71%, while cash and deposits reduced significantly to 14%, and other instruments were included in the portfolio such as real estate (6%) and equity (5%).

Comparing this portfolio composition with pension funds from the OECD (Organisation for Economic Co-operation and Development) countries (37 Countries), we can conclude that the asset allocation of complimentary pension funds in Mozambique tends to converge to the same diversification levels as developed economies and is starting to include asset classes that generate more returns.



Source: OECD Global Pension Statistics



Source: ISSM

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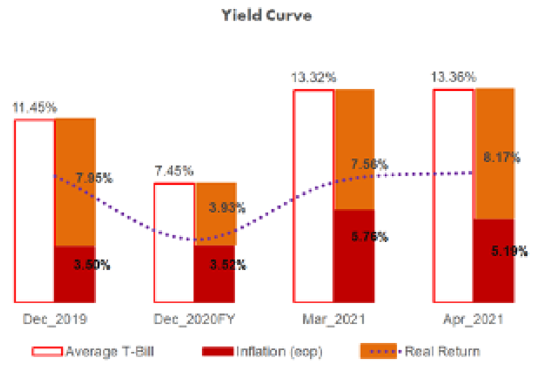
Market Intelligence

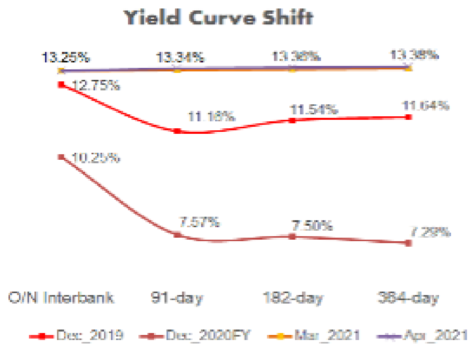
By Absa Bank Mozambique

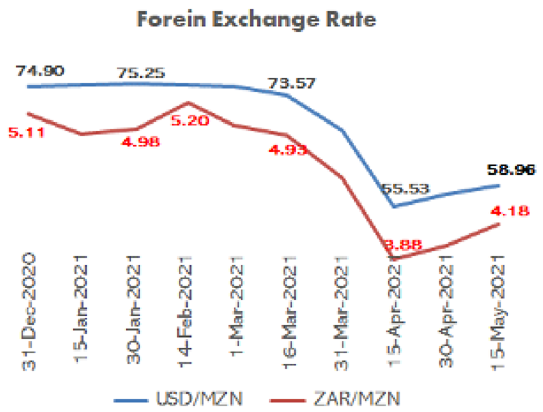
Macroeconomic Indicators

Source: Central Bank, INE, MEF, Absa Research

	2018	2019	2020E	2021F	2022F	2023F	2024F
Real GDP (% y/y)	3.3	2.2	-1.3	3.0	4.5	5.4	6.3
GDP (USD bn)	14.8	15.3	13.9	13.8	14.6	16.1	15.9
Current Account Balance (% GDP)	-30.3	-19.7	-27.7	-31.1	-30.6	-30.2	-29.2
Fiscal Balance (% GDP)	-5.3	-0.2	-10.8	-8.5	-7.8	-5.9	-4.8
Public Debt (% GDP)	110.0	104.0	117.0	116.3	113.1	103.1	99.4
CPI (%Dec/Dec)	3.5	3.5	3.5	4.8	5.2	5.7	6.7
CPI (p aveg.)	3.9	2.8	3.2	5.5	4.2	6.0	6.0
Policy Rate (MIMO, % eop)	14.25	12.75	10.25	13.25	13.75	14.75	14.75
USD/MZN (eop)	61.63	61.64	74.60	77.80	82.10	80.50	80.00
USD/MZN (avg)	60.34	62.43	69.87	77.85	80.49	81.10	80.25
	Q4 20	**Q1 21F**	**Q2 21F**	**Q3 21F**	**Q4 21F**	**Q1 22F**	**Q2 22F**
CPI (% y/y, eop)	3.5	4.8	6.1	6.6	5.3	4.0	3.6
Policy rate (%, eop)	10.25	13.25	13.25	13.25	13.25	13.75	13.75
	Stop	**Q1 21F**	**Q2 21F**	**Q3 21F**	**Q4 21F**	**Q1 22F**	**Q2 22F**
USD/MZN	73.57	76.20	78.00	79.40	77.80	78.88	79.95
ZAR/MZN	4.98	5.08	4.95	4.96	4.79	4.79	4.76







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