



PENSIONS AND INSURANCE
AUTHORITY

PENSIONS INDUSTRY FOR THE
FOURTH QUARTER

31st DECEMBER 2022

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EXECUTIVE SUMMARY

The pensions industry registered an increase in the net asset value from K12.40 billion as at 30th September 2022 to K12.82 billion as at 31st December, 2022. This represented an increase of K0.42 billion or 3.37 percent (Q3-2022: 1.2 percent reduction) in net assets. The increment was mainly attributed to increased investments in Government bonds by K289 million from K3.92 billion as at 30th September 2022 to K4.2 billion as at 31st December 2022, followed by listed equities which increased by K108 million from K2.3 billion as at 30th September 2022 to K2.41 billion as at 31st December 2022 and offshore investments increasing by K118 million from K680 million as at 30th September 2022 to K798 million as at 31st December 2022. On a year-to-year basis, net assets grew by K1.98 billion from K10.84 billion as at December 2021, representing an increase of 18.27 percent.

Total investment income¹ increased from K315.51 million to K757.49 million during the fourth quarter of 2022. This represented an increase of K441.28 million or 140 percent during the quarter under review. The main factors leading to the increase were income arising from foreign exchange gains (K317.78 million), income from offshore investments (K136.56 million), dividends from equity (K90.29 million) and interest from Government bonds (K59.49 million). Despite all investments recording positive income, there were a few investments which recorded reduced income during the quarter under review. The asset classes that recorded reduced investment income during the period under review were fair value changes in equity (K183.78 million), profit or loss on sale of investments (K14.80 million), interest from cash deposits (K9.90 million) and rent from properties (K6.16 million). Furthermore, the annualized return on average net assets increased to 24.03 per cent (Q3, 2022: 10.12 percent). Year-on-year inflation as at 31st December, 2022 remained unchanged by the end of the quarter at 9.90 percent, which was below the return recorded for the period. This demonstrated that the purchasing power of pension funds were preserved.

¹ Total investment income means investment income plus other income (valuations, forex, fair value changes on equity)

Total contributions² decreased from K615.36 million as at 30th September 2022 to K452.678 million as at 31st December 2022. This represented a reduction of K158.68 million or 25.79 percent as opposed to the previous quarter where there was an increase K15.28 million or 2.55 percent. The main reasons for the reduced contributions were mainly as result of reduced special deficit funding (K72.69 million) and transfer from other funds (K59.97 million).

Contribution arrears to pension schemes from the respective sponsoring employers increased from K411.01 million as at 30th September 2022 to K445.03 million as at 31st December 2022. This represented an increase by K34.01 million or 8.28 percent as opposed to the previous quarter where it decreased by K47.63 million or 10.39 percent. On a year-on-year basis, contribution arrears also showed increased by K9.87 million or 2.30 percent from K435.16 million as at 31st December 2021. The value of the contribution arrears entail an opportunity cost on the average net asset return that would have been realized had the funds been received by the pension schemes for investment purposes. The buildup in contribution arrears is prevalent among employers still suffering the after effects of the Covid-19.

Refunds of contributions for members leaving pension schemes increased by K294.83 million or 109.75 percent from K268.64 million as at September 2022 to K563.47 million as at 31st December 2022. This represents million as at 30th September 202. In the previous quarter, refunds of contributions decreased by K2.69 million or 1 percent. On an annual basis, the statistics still showed an increase in refund of contributions by 31.93 percent from K 427.09 million as at 31st December 2021.

² Total contributions means member and employer contributions, voluntary contributions, transfer in and any deficit funding

1.0 INTRODUCTION

The Pensions and Insurance Authority is pleased to provide highlights of the pensions industry performance for the quarter ended 31st December 2022.

2.0 ZAMBIA'S GENERAL ECONOMIC INDICATORS

The following is a snapshot on selected Zambian economic indicators.

2.1 Zambia's Economy and Global Outlook³

Gross Domestic Product (GDP) was projected to grow by 3.8 percent, buoyed by an improved macroeconomic environment; a positive copper price outlook, stable and predictable mining policy environment; and improved electricity supply. This outlook is anchored in the Government's implementation of macro-fiscal reforms it outlined in its 2023- 2025 medium-term budget, which is aimed at restoring fiscal sustainability and credibility, re-orienting expenditure (away from inefficient subsidies to more social spending) and bringing public services closer to the communities.

The implementation of structural reforms aimed at removing market distortions and bringing financial sustainability to the energy sector (electricity and petroleum), improving transparency, and fighting corruption, will also be critical to achieving this growth path. It also assumes timely and comprehensive debt restructuring under the G-20 Common Framework for Debt Treatment.

2.2 Inflation

Annual inflation increased to 9.9 percent for December 2022 from 9.8 percent for September 2022. This increase in annual inflation was mainly attributed to the base effect in food items.

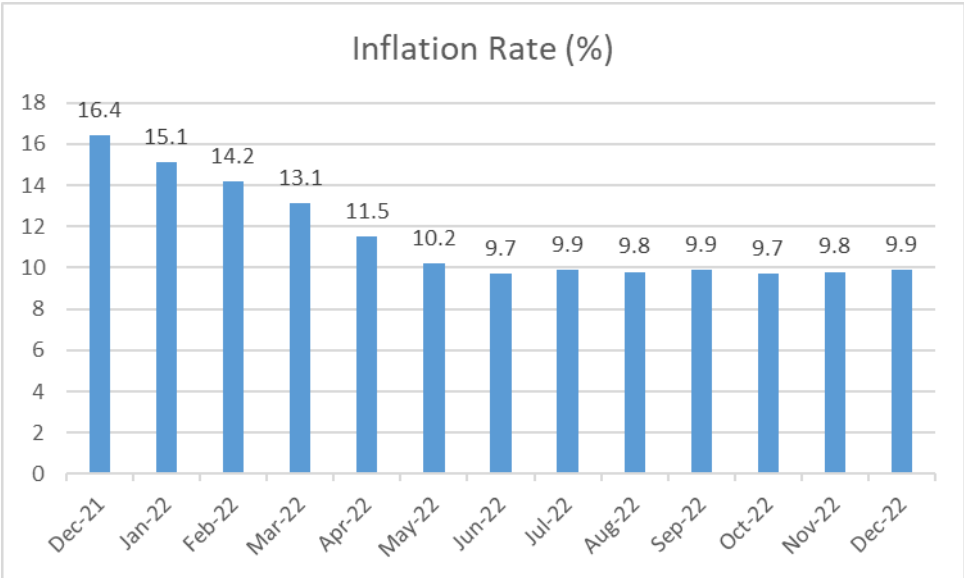
The quarterly investment returns for the pensions industry increased to 24.03 percent in the fourth quarter of 2022 as opposed to a 10.17 percent in the previous quarter of 2022

³ Source: *The World Bank in Zambia*, World Bank, 2022

against a year-on-year inflation as at 31st December 2022 of 9.9 percent. This implies that the pensions industry achieved real returns during the quarter under review.

Graph 1 below depicts the movement of inflation rate plotted for the period of 13 months up to 31st December 2022.

Graph 1: Inflation rate from December 2021 to December 2022



2.3 Pensions Industry Outlook

The pensions industry net assets have continued to grow steadily. However, the ongoing geopolitical Russia Ukraine war had negative effects on the global economy and Zambia has not been spared. As evidently observed, the prices of crude oil at an international market have not been stable. There is evidence of crude oil rebounding to a US\$100 per barrel.

The prices of fuel in Zambia were recently adjusted upwards and this is no doubt having an effect on transport costs, food prices and eventually drive inflation upwards rendering the purchasing power of pension going down. Further, the exchange rate will also deteriorate as the foreign currency appreciates.

Notwithstanding this. given unfavorable exchange rate, offshore investments will relatively perform better ceteris paribus. It is forecasted that the, pensions industry net assets will increase to K13.58 billion by the end of the first quarter of 2023.

3.0 PERFORMANCE OF NET ASSETS

3.1 Asset Movement

The pensions industry registered an increase in the net asset value from K12.40 billion as at 30th September 2022 to K12.82 billion as at 31st December, 2022. This represented an increase of K0.42 billion or 3.37 percent (Q3-2022 1.2 percent reduction). The growth in assets was attributed to increased investments in Government bonds by K289 million from K3.92 billion as at 30th September 2022 to K4.2 billion as at 31st December 2022 followed by listed equities which increased by K108 million from K2.3 billion as at 30th September 2022 to K2.41 billion as at 31st December 2022 and offshore investments increasing by K117 million from K680 million as at 30th September 2022 to K798 million as at 31st December 2022. On a year-to-year basis, net assets grew by K 1.98 billion from K 10.84 billion as at 31st December 2021, representing an increase of 18.27 percent.

3.2 Investment Income

Total investment income⁴ increased from K315.51 million as at 30th September 2022 to K757.49 million as at 31st December, 2022. This represents an increase of K 441.28 million or 140 percent during the quarter under review. The increase in investment income was attributed to the overall increase in income from investments with significant increase reported from Government bonds, equities and collective Investment Schemes. Income from Government bonds increased by 33.60 percent from K177.05 million as at 30th September 2022 to K236.54 million as at 31st December 2022. Dividends from equities increased by 1222.85 percent from K7.38 million as at 30th September 2022 to K97.67 million as at 31st December 2022. Income from CIS increased by 592.25 percent from K9.38 million as at 30th September 2022 to K64.97

⁴ Total investment income means investment income plus other income (valuations, forex, fair value changes on equity)

million as at 31st December 2022. Despite all investments recording positive income, there were a few investments which recorded reduced income during the quarter under review. The investment lines that recorded reduced income during the period under review were fair value changes in equity, rent from properties and profit or loss on sale of investments. Furthermore, the annualized return on average net assets increased to 24.03 per cent (Q3, 2022: 10.12 percent). Year-on-year inflation as at 31st December, 2022 remained unchanged during the end of the quarter at 9.90 percent, which was below the return recorded for the period. This demonstrates the purchasing power of pension funds was preserved.

3.2 Return on Average Net Assets

The pensions industry returns on average net assets increased from 10.12 percent as at 30th September 2022 to 24.03 percent as at 31st December 2022. Year-on-year inflation as at 31st December 2022 was 9.90 percent. This demonstrate that the purchasing power of pension funds was preserved as a positive real return was recorded. The following table shows the return on average net assets.

Tables 1: Return on Average Net Assets (December 2021 to December 2022)

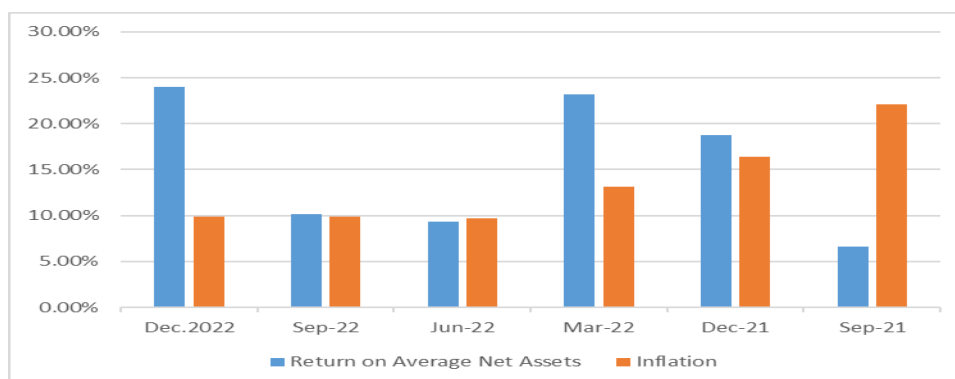
Amounts K'000	Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
Income	536,976.92	213,099.40	350,661.56	201,160.16	492,190.02
Other income	220,521.79	102,406.00	-73,668.23	439,114.38	279,171.85
Total Investments Income	757,498.71	315,505.40	276,993.33	640,274.54	771,361.87
Net Assets Value	12,816,881.09	12,398,683.21	12,548,949.45	11,279,904.11	10,841,316.88
Return on Average Net Assets	24.03%	10.12%	9.30%	23.16%	18.74%
Income to average net assets ⁵	4.19%	1.71%	2.94%	7.27%	7.12%
Inflation	9.90%	9.90%	9.70%	13.10%	16.40%
Real Return⁶	12.86%	0.20%	-0.36%	8.89%	2.10

⁵ Income to average net assets is calculated as income (less other income) to average net assets of the current and previous quarters

⁶ Real return is computed as $(1+m)/(1+i)$ where m is nominal rate and i is inflation rate

Graph 2 below shows the return on average net assets vis a visa inflation rate (Sep 2021-Dec 2022).

Graph 2: Return on Average Net Assets vs Inflation



3.4 Occupational Pension Scheme Net Assets Contribution to GDP

The Occupational pensions industry’s net asset value of K12.82 billion as at 31st December 2022, contributed a 3.54 percent to the Zambia’s Gross Domestic Product (GDP) of K363.20 billion. The industry’s net asset value to GDP figure has been fluctuating around 3 percentage points for the past 5 years as shown in the table below.

Table 2: Net Assets to GDP (2017 – 2022)

Amounts in (K 'Millions)	2022	2021	2020	2019	2018	2017
Net Assets	12,816.88	11,203.02	9,499.01	7,962.01	7,685.50	7,003.71
GDP (Constant)	363,200 ⁷	424,269.00	332,397.08	277,634.20	253,355.89	230,054.04
Growth in Net Assets	14.41%	17.94%	19.30%	3.60%	9.70%	20.80%
Net Assets to GDP	3.54%	2.64%	2.86%	2.87%	3.03%	3.04%

3.5 Selected Statistics in Relation to Performance of the Pensions Industry

The table below shows movements of key variables in relative terms. The table shows that arrear contributions to total contributions improved from 106.88 percent in March 2022 to 73.43 percent in June 2022 and worsened to 97.45 percent in December 2022.

⁷ This is GDP @ nominal prices as at third quarter 2022 as per ZAMSTATS available report: Quarterly_Annual_GDP_Q3_2022

Total expenses⁸ to net assets worsened from 1.21 percent in March 2022 to 1.46 percent in December 2022. The other variables can be read in a similar manner in the table that follows. The following are selected industry statistics on a quarterly basis for the year 2022. The following are selected industry statistics on a quarterly basis for the year 2022.

Table 3: Selected Statistics in Relation to Performance of the Pensions Industry

Amounts K'000	Dec-22	Sep-22	Jun-22	Mar-22
Membership (individuals)	141,267	132,160	120,122	119,904
Contributions	456,677.92	615,357.35	600,080.16	389,506.62
Total Expenses less benefits paid	187,744.65	164,583.99	169,332.55	136,073.34
Administration expenses	20,964.01	24,016.51	24,025.87	21,673.01
Management expenses	41,446.44	34,359.95	41,648.83	40,633.04
Net assets	12,816,881.09	12,398,683.21	12,548,949.45	11,279,904.11
Benefits paid	711,563.34	367,662.71	495,467.73	378,313.40
Benefits due	508,915.73	515,740.77	610,016.61	711,225.50
Arrear contributions	445,026.64	411,012.19	458,644.33	416,319.25
Investment income	757,498.71	315,505.40	276,993.33	640,274.54
Selected Ratio Analysis				
Description	Dec-22	Sep-22	Jun-22	Mar-22
Arrear contributions to Contributions	97.45%	66.79%	76.43%	106.88%
Administration expenses to contributions	4.59%	3.90%	4.00%	5.56%
Management expenses to Investment income	5.47%	10.89%	15.04%	6.35%
Management expenses to Net Assets	0.32%	0.28%	0.33%	0.36%
Total expenses to investment income	24.78%	52.17%	61.13%	21.25%
Total expenses to net assets	1.46%	1.33%	1.35%	1.21%

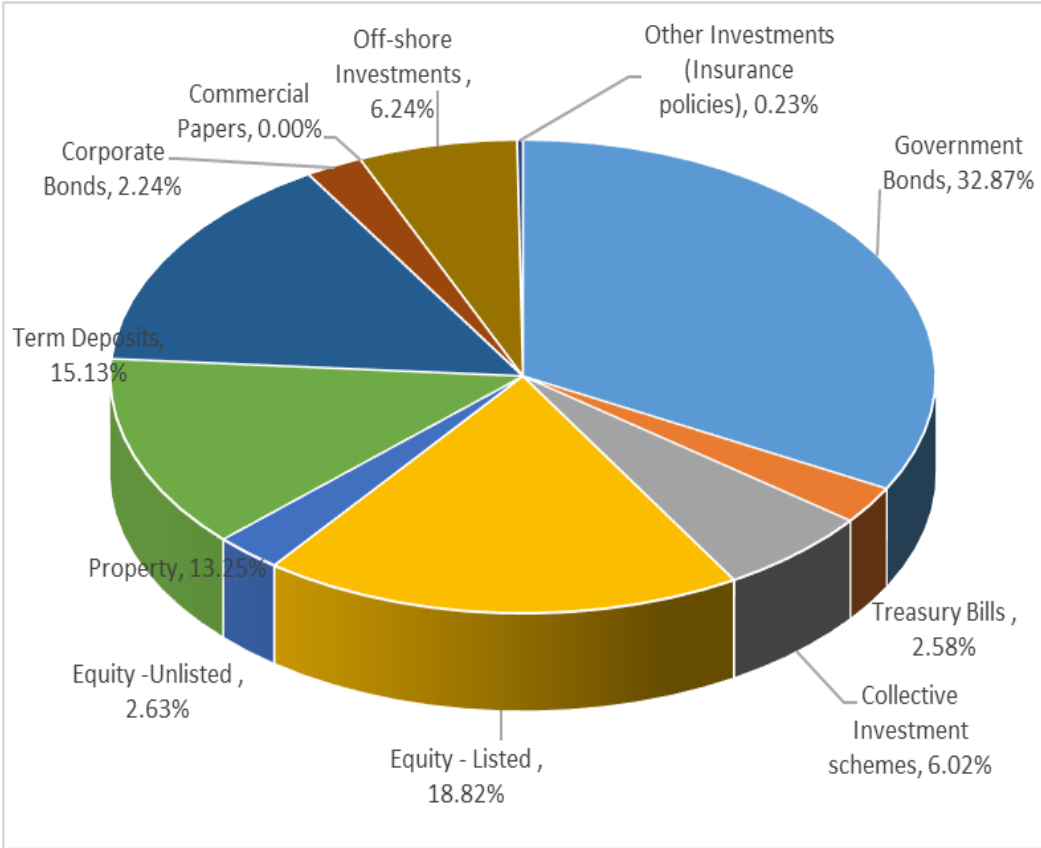
4.0 OVERVIEW OF PENSION INVESTMENT PERFORMANCE

4.1 Investment Spread as at 31st December 2022

The pension industry investments as at 31st December 2022 was fairly diversified with majority of investments being in Government bonds (32.87 percent), local equity-listed (18.82 percent) and term deposits (15.13 percent). Commercial paper and insurance policies had the least investments.

⁸ These expenses exclude benefits paid

Graph 3: Investment Spread as at 31st December 2022



4.2 Fixed Interest Securities

4.2.1 Government Bonds

Investments in Government bonds increased from K3.92 billion as at 30th September 2022 to K4.21 billion as at 31st December 2022. This represented an increase by K289.17 million or 7.38 percent as compared to K11.36 percent increase in the previous quarter. The increase was attributed to some new investment placements. On an annual basis, Government bonds increased by K1.45 billion or 52.54 percent from K2.76 billion as at December 2021.

Interest on Government bonds as at 31st December 2022 increased by 59.49 percent from K177.05 million as at 30th September 2022 to K236.54 million as at 31st December 2023. The Government bonds share of industry net assets was 32.87 percent as at 31st December 2022.

4.2.2 Treasury Bills

Investments in treasury bills increased by K29.76 million or 9.92 percent (.3, 2022: increased by 50.35) from K300.09 million as at September 2022 to K329.86 million as at 31st December 2022.

On an annual basis, treasury bills increased from K299.99 million representing a 9.96 percent increase recorded as at 31st December 2022.

Interest on treasury bills increased to K10.01 million as at 31st December 2022 from K12.50 million as at 30th September 2022 representing a 19.92 reduction. The share of treasury bills to industry net assets as at 31st December 2022 was 2.42 percent from a 2.58 percent in the previous quarter.

4.2.3 Collective Investment Schemes

Investments in Collective Investments Schemes (CIS) increased by K55.12 million or 7.70 percent from K715.77 million as at 30th September 2022 to K770.89 million as at 31st December 2022. On an annual basis, CIS increased by K54.33 million or 8.21 percent from K661.44 million as at 31st December 2021.

The industry share of Collective Investment Schemes to net assets was 6.02 percent (Q.3, 2022: 5.77 percent).

4.3 Equity Investments

4.3.1 Listed Equity Investments

Investments in listed equity increased by K108 million from K2.30 billion as at 30th September 2022 to K2.41 billion as at 31st December 2022. This represented an increase of 4.70 percent as compared to a reduction of 0.43 percent in the previous quarter. On an annual basis, listed equity investments increased by K 646 million or 36.64 percent from K1,763 billion in the previous quarter.

Dividends received as at 31st December 2022 increased by 1222 percent from K7.38 million as at September 2022 to K97.67 million as at 31st December 2022. The share of

industry listed equity investments to net assets was 18.82 percent (Q.3, 2022: 18.56 percent).

4.3.2 Unlisted Equity Investments

Investments in unlisted equity increased by 9.68 million from K327.09 million as at 30th September 2022 to K336.76 million as at 31st December 2022. This represents an increase of 2.96 percent (Qtr. 3, 2022: decrease by 6.62 percent). On an annual basis, there was an increase in unlisted equity investments from K323.77 million recorded during the quarter under review.

The share of unlisted equity to industry net assets was 2.63 percent (Q.3, 2022: 2.65 percent).

4.4 Offshore Investments

Offshore investments increased by K117.95 million from K680.58 million as at 30th September 2022 to K798.53 million as at 31st December 2022. This represented an increase of 17.33 percent (Q.3, 2022: decreased by 23.53 percent). The increase was mainly attributed to the improved performance of offshore equity investments and foreign exchange gains of K170.86 million as at 31st December 2022 from a loss of K146.91 million recorded in the previous quarter of 2022.

The share of offshore investments to industry net assets was 6.24 percent (Q.3, 2022: 5.49 percent).

4.5 Investment in Property

The value of investments in property decreased from K1.77 billion as at 30th September 2022 to K1.70 billion as at 31st December 2022. This represented a 4.05 percent reduction (Qtr. 3, 2022: 9.70 percent). The reduced investments in property is as a result of disposal of some properties.

Rental income during the quarter under review decreased from K39.60 million as at 30th September 2022 to K33.44 million as at 31st December 2022. The continued reduced rental income is due to some office space being vacant owing to the negative effects of

Covid-19 as well as the disposal of some properties. The industry recorded property valuations amounting to K770.28 thousand (Qtr. 3, 2022: 0).

The share of property investments to industry net assets ratio was 13.25 percent (Q.3, 2022: 15.61 percent).

5.0 PENSION CONTRIBUTIONS

Total contributions⁹ decreased from K615.36 million as at 30th September 2022 to K452.678 million as at 31st December 2022. This represented a reduction of K158.68 million or 25.79 percent as opposed to the previous quarter where there was an increase K15.28 million or 2.55 percent. The main reasons for the reduced contributions were mainly as result of reduced special deficit funding (K72.69 million) and transfer from other funds (K59.97 million).

5.1 Contribution Arrears

Contribution arrears to pension schemes from the respective sponsoring employers increased by K34.01 million from K411.01 million as at September 2022 to K445.03 million as at 31st December 2022. This represented an increase of 8.28 percent (Q.3, 2022: decreased by 10.39 percent).

The value of the contribution arrears entail an opportunity cost on the average net asset return that would have been realized had the funds been received by the pension schemes for investment purposes. The buildup in contribution arrears is prevalent among employers in sectors hit by the effects of Covid-19. The Authority continues to engage with erring employers to ensure the arrears are settled.

6.0 REGISTERED PENSION SCHEMES

The total number of active pension schemes as at 31st December 2022 remained at 248.

⁹ Total contributions means member and employer contributions, voluntary contributions, transfer in and any deficit funding

7.0 MEMBERSHIP STATISTICS

Total membership¹⁰ increased from 132,160 as at 30th September 2022 to 141,267 as at December 2022. This represented an increase of 9,107 (Q.3, 2022: 12,038) members or 6.89 (Q.3, 2022: 10.02 percent). The categories that made up total membership included, active membership whose membership increased from 110,506 as at September 2022 to 120,906 as at 31st December 2022. The increase was mainly attributed to the increase in membership in Professional Pension Trust Fund Money Purchase Scheme, BankABC pension schemes, Sun International Pension Scheme, Zambia Sugar Plc pension scheme, and octagon Umbrella pension Fund. The following table provides full membership categories movement since 2020 to date.

Table 4: Detailed Pension Industry Membership Composition

Description	Qtr. 4, 2022	Qtr 3, 2022	Qtr. 2, 2022	Qtr. 1, 2022	2021	2021	2020	2020
Active	120,906	110,506	98,627	99,673	96,261	96,261	90,512	90,512
Inactive	6,337	7,643	6,799	6,200	6,304	6,304	5,675	5,675
Pensioners	14,024	14,011	14,696	14,031	15,566	15,566	15,307	15,307
Total	141,267	132,160	120,122	119,904	118,131	118,131	111,494	111,494

7.1 Demographic Representation of Scheme Membership

In terms of demographics, a total of 28,686 members (20.31 percent) of the total membership were female pension scheme members, while 112,581 (79.69 percent) were male pension scheme members. In all the broad age categories, there were more males than females pension scheme members. The following table provides the presentation of the scheme demographics.

¹⁰ Membership movement was still being investigated at the time of the report

Table 5: Demographic Member Representation Table

Item	Female	Male	Total	% Share of Female Actives to	% Share of Male to Actives
Number of Active Members	25,226	95,680	120,906	20.86%	79.14%
Number of Inactive members	1,543	4,794	6,337	24.35%	75.65%
Pensioners	1,917	12,107	14,024	13.67%	86.33%
TOTAL	28,686	112,581	141,267	20.31%	79.69%

8.0 BENEFITS PAID

Total benefits paid increased from K367.66 million as 30th September 2022 to K711.56 million as at 31st December 2022. This represented an increase of K343.90 million or 93.54 percent as opposed to a decrease of K 127.81 million or 25.80 percent in the previous quarter. On an annual basis, benefits paid decreased from K721.20 million representing a reduction by K9.64 million or 1.34 percent. The makeup of these benefits paid for the quarter under review is outlined below:

8.1 Pension

These increased from K44.11 million as at 30th September 2022 to K68.82 million as at 31st December 2022. This represents an increase of K24.70 million or 56.00 percent as opposed to the previous quarter when there was an increase by K14.75 million or 50.19 percent. The increase was attributed to payments from the Konkola Copper Mines Plc Pension Scheme. The pension paid accounted for 9.67 percent of the total benefits paid out during the quarter under review.

8.2 Lump-Sum Benefits

These increased from K50.12 million as at 30th September 2022 to K54.39 million as at 31st December 2022. This represented an increase of K4.27 million or 8.53 percent as opposed to the previous quarter when there was an increase of K6.11 million or 13.88 percent. The increase was attributed to payments from the Local Authorities

Superannuation Fund (LASF). Lumpsum benefits accounted for 7.64 percent of the total benefits paid out.

8.3 Refund of Contributions

These increased from K268.64 million as at 30th September 2022 to K563.47 million as at 31st December 2022. This represented an increase of K294.83 million or 109.75 percent increase as opposed to the previous quarter when refunds decreased by K 2.69 million or 1 percent. The main scheme contributing to increased refunds was Konkola Copper Mines Plc pension scheme. These refunds accounted for 79.19 percent of the total benefits paid during the quarter under review.

8.4 Death Benefits

These increased K6.19 million as at 30th September 2022 to K9.96 million as at 31st December 2022. This represented an increase of 3,770 or 60.87 percent as opposed to the previous quarter when death benefit decreased by K 1.51 million or 19.61 percent. Death benefits accounted for 1.40 percent of the total benefits paid during the quarter under review. Table 6 below shows the benefits paid over the past five quarters.

Table 6: Benefits Paid for the Past Five Quarter

Benefit Type (K'000)	Qtr. 4 2022	Qtr. 3 2022	Qtr. 2 2022	Qtr. 1 2022	Qtr. 4 2021	% Change on Q4 & Q3
Pension	68,819.31	44,114.73	29,388.77	75,384.85	44,823.17	56.00%
Lump-sum	54,388.29	50,115.49	44,013.37	43,201.86	61,518.17	8.53%
Death	9,963.86	6,193.73	7,702.22	7,730.80	13,260.50	60.87%
Refunds	563,468.08	268,641.91	271,327.42	245,657.68	427,093.54	109.75%
Transfers to other schemes	0	(6,000.74)	135,372.65	1,739.89	163,782.07	-100%
Others	14,923.80	4,597.58	7,663.30	4,593.32	10,728.17	224.60%
Total	711,563.34	367,662.71	495,467.73	378,313.40	721,205.62	93.54%

9.0 EXPENSES

Total expenses¹¹ increased from K164.58 million as at 30th September 2022 to K187.74 million as at 31st December 2022. This represented an increase of K23.16 million or 14.07 percent as opposed to a decrease of K 4.75 million or 2.89 percent in the previous quarter. The make-up of these expenses is outlined below.

9.1 Administrative Expenses¹²

These expenses, relating to a pension scheme's operations, increased from K97.69 million as at 30th September 2022 to K113.39 million as at 31st December 2022. This represented an increase by K15.71 million or 19.08 percent as opposed to the previous quarter which increased by K 3.51 million or 3.73 percent. Administration expenses accounted for the largest portion of the expenses with 60.40 percent.

9.2 Investment Management Fees

These fees, paid by pension schemes for the fund management services, increased from K34.36 million as at 30th September 2022 to K41.45 million as at 31st December 2022. This represents an increase of K7.11 million or 20.62 percent as opposed to a reduction of K 7.29 million or 17.50 percent in the previous quarter. Investment fees accounted for 22.08 percent of the expenses.

9.3 Administration Fees

These fees, paid by pension schemes for the fund administrative services, decreased from K24.02 million as at 30th September 2022 to K20.96 million as at 31st December 2022. The third quarter of 2022 showed a decrease of K 0.01 million or 0.04 percent.

9.4 Other Expenses

These expenses as at 31st December 2022 amounted to K11.93 million up from the previous quarter amount of K8.52 million.

Table 7 below provides the movement of expenses during the past five quarters.

⁶Total expenses exclude benefits paid

⁷Administrative expenses exclude benefits paid, administrative and management fees

Table 7: Expenses Schedule

Expenditure (K'000)	Qtr. 4, 2022	Qtr. 3, 2022	Qtr. 2, 2022	Qtr. 1, 2022	Qtr. 4, 2021	Current Qtr. % Changes	Year On Year % Changes
Administrative expenses	113,398.52	97,689.80	94,179.55	66,761.65	60,380.66	16.08%	87.8%
Administrative fees	20,964.01	24,016.51	24,025.87	21,673.01	20,387.39	-12.71%	2.8%
Management fees	41,446.44	34,359.95	41,648.83	40,633.04	38,024.09	20.62%	9.0%
Other expenses	11,935.68	8,517.73	9,478.30	7,005.64	5,762.03	40.13%	107.1%
TOTAL	187,744.65	164,583.99	169,332.55	136,073.34	124,554.17	14.07%	50.7%

10.0 DISTRIBUTION OF PENSION INVESTMENTS¹³

10.1 Pension Industry Compliance¹⁴ to Statutory Instrument No. 50 of 2021

During the quarter under review, the industry was generally compliant to the requirements of Statutory Instrument No. 50 with a few pension schemes breaching the SI. Table 8 below shows the compliance of investments to the Statutory Instrument No. 50 of 2021 for the past four quarters.

¹³ Pension Investment percentages computed as asset class holding divided by total investments of asset classes of pension schemes

¹⁴ SI compliance percentages computed as asset class holding divided by total net asset values of pension schemes

Table 8: Investment Holdings for the Past Four (4) quarters

Investment Category	Dec 2022	Sept 2022	June 2022	Mar 2022	SI 50 of 2021 Limits (X=Asset class)
GRZ-Bonds	32.87%	31.61%	28.02%	25.92%	X>2.5%
Treasury Bills	2.58%	0.02%	1.59%	2.60%	
Property	13.25%	14.26%	15.61%	15.86%	X≤40*
Term Deposits	15.13%	15.39%	18.15%	18.03%	X>20%*
Equity - Listed	18.82%	18.56%	18.42%	18.51%	5%>X<70%
Equity -Unlisted	2.63%	0.03%	2.79%	2.95%	
Corporate Bonds	2.24%	2.83%	2.62%	3.65%	X<10%
Commercial Papers ¹⁵	0.00%	0.00%	0.00%	0.00%	
Off-shore Investments	6.24%	5.49%	6.70%	9.18%	X≤30%
Collective Investment Schemes	6.02%	5.77%	6.14%	6.20%	X<20%
Other investments (Insurance Policies)	0.23%	0.21%	0.18%	0.20%	X≤10%
Supranational Bond	0%	0%	0%	0%	X≤30

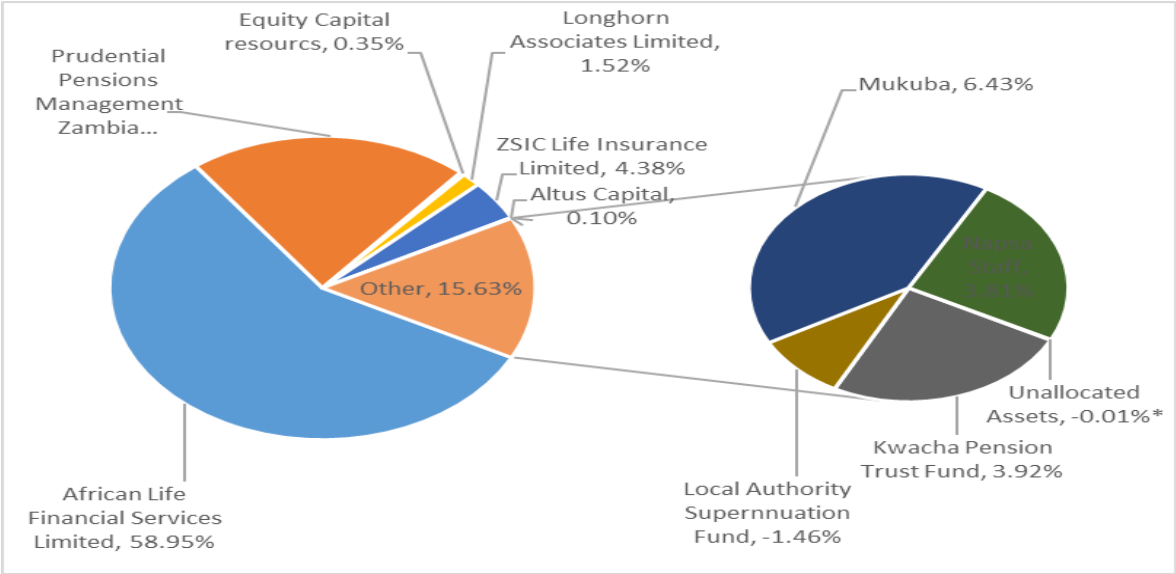
-
- Unallocated assets (0%) represents Net Assets of Workcom (DB) pension scheme which was negative K1,880,991.12

11.0 MARKET SHARE – FUND ADMINISTRATION AND MANAGEMENT

11.1 Fund Managers/Self-Managed Market Share in Terms of Net Assets

Chart 4 below shows the industry market share of the registered pension fund administrators.

Chart 4: Pension Fund Administrators Market Share

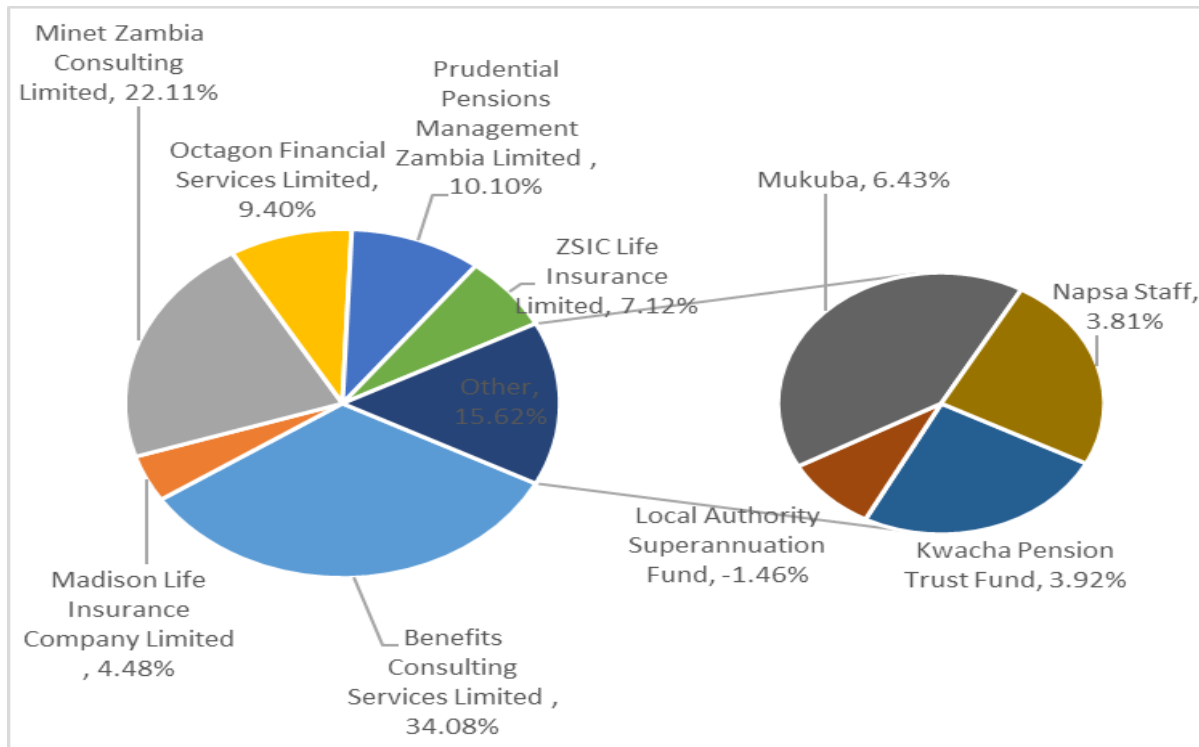


Unallocated assets represent Net Assets for Workcom (DB) pension scheme which reported (K1,880,991.12) in the quarter under review. The scheme is currently in the process of being wound up.

11.2 Market Share of Net Assets by Fund Administrators/Self-Administered Schemes

Chart 5 below shows the industry market share of the registered pension fund administrators including the self-managed schemes as at 31st December 2022.

Chart 5: Pension Fund Managers Market Share



12.0 REGISTERED PENSION FUND ADMINISTRATORS AND MANAGERS

The following were the licensed service providers for the pensions industry in Zambia for the period ended 31st December 2022:

12.1 Fund Administrators

1. Benefits Consulting Services Limited
2. Madison Life Insurance Company Limited
3. Minet Zambia Consulting Limited
4. Octagon Financial Services Limited
5. Prudential Pensions Management Zambia Limited
6. ZSIC Life Insurance Limited

12.2 Fund Managers

1. African Life Financial Services (Z) Limited

2. Altus Capital Limited
3. ECR Asset Management Limited
4. Provident Asset Management Limited
5. Prudential Pensions Management Zambia Limited
6. Longhorn Associates Limited
7. Madison Life Insurance Company Limited
8. ZSIC Life Insurance Limited

12.3 Self- Managed Pension Schemes

The following were the self-managed pension schemes for the pensions industry in Zambia for the period ended 30th September 2022:

1. Kwacha Pension Trust Fund (KPTF)
2. Local Authorities Superannuation Fund (LASF)
3. Mukuba Pension Scheme DC & DB
4. Napsa Staff Pension Scheme DC & DB

APPENDICES

i) SUMMARY OF KEY PENSION INDUSTRY RESULTS - Q4 2022 and Q3 2022: STATEMENT OF CHANGES IN NET ASSETS

The following table provides a summary of the Pensions Industry Statement of Changes in Net Assets for the past two quarters, Q4 & Q3

STATEMENT OF CHANGES IN NET ASSETS			
Amounts in K'000	Dec-22	Sep-22	% Change
INFLOWS			
Contributions	456,677.92	615,357.35	-25.79%
Normal - Members	173,675.09	187,133.36	-7.19%
Normal - Employers	252,262.47	264,193.57	-4.52%
Additional/Voluntary	6,287.35	6,919.41	-9.13%
Special - Deficit Funding	20,390.98	93,082.10	-78.09%
Transfer from other funds	4,062.03	64,028.90	-93.66%
Investment income	536,976.47	213,598.63	151.40%
Interest/income from Government Bonds	236,537.04	177,045.28	33.60%
Interest/income from Treasury Bills	10,010.84	12,495.56	-19.88%
Dividends from	97,673.57	7,383.57	1222.85%
Rent from properties	33,440.10	39,603.44	-15.56%
Interest from cash deposits	64,831.73	74,732.64	-13.25%
Income from Collective Investment Securities (capital gain)	64,965.95	9,384.81	592.25%
Income from offshore investments - Equity	29,517.24	(107,046.66)	-127.57%
Income from offshore investments - Bonds	-	-	-
Other Income	220,521.79	102,617.40	-114.90%
Claims from insurance	-	-	-
Fair value changes in equity	26,552.95	210,330.32	-87.38%
Property revaluations	770.28	-	100.00%
Foreign exchange gain/(loss)	170,862.93	(146,914.25)	216.30%
Change in value of investments	18,782.07	20,221.59	-7.12%
Profit/(loss) on sale of investments	3,214.68	18,017.86	-82.16%
Recoveries (Court settlements, impairments)	338.89	961.88	-
Total Inflows	1,214,176.18	931,573.38	30.34%
EXPENDITURE			
Benefits paid	711,563.34	367,662.71	93.54%
Pensions	68,819.31	44,114.73	56.00%
Lump sum benefits	54,388.29	50,115.49	8.53%
Death benefits	9,963.86	6,193.73	60.87%
Refund and withdrawals of contributions	563,468.08	268,641.91	109.75%
Transfers to other pension funds	-	(6,000.74)	-100.00%
Income Tax Expenses	-	-	-
Others (Premiums on insurance policies, annuities)	14,923.79	4,597.58	224.60%
Administration Expenses	113,398.52	97,689.80	16.08%
Operational Expenses	5,190.49	5,238.40	-0.91%
Staff Costs	16,006.69	12,576.95	27.27%
Investment Property Costs	8,343.02	15,855.67	-47.38%
Other Expenses (Taxation, PIA Levy, Bad debt provision, etc)	83,858.32	64,018.78	30.99%
Taxation	31,320.00	28,053.96	11.64%
PIA Levy	8,657.76	8,480.13	2.09%
Bad Debt Provision	40,218.60	6,607.65	508.67%
Commissions	1,972.98	1,490.94	32.33%
Handling fees	1,688.98	19,386.10	-91.29%
Medical Levy	-	-	-
Management Costs	74,346.12	66,894.19	11.14%
Total Expenditure	899,307.98	532,246.70	68.96%
EXCESS/DEFICIT	314,868.20	399,326.68	-21.15%

ii) SUMMARY OF KEY PENSION INDUSTRY RESULTS (Q4 2022 and Q3 2022)

The following table provides a summary of the Pensions Industry Statement of Net Assets Available for benefits for the past two quarters, Q4 2022 and Q3 2022.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS					
Amounts in K'000			Dec-22	Sep-22	% Change
OPENING NET ASSETS			12,398,683.31	12,548,949.45	
ASSETS			13,951,258.25	13,504,154.93	
(a) Fixed Assets			37,199.25	34,750.23	7.05%
(b) Investments			12,803,923.05	12,297,735.68	4.12%
	(i)	Government Bonds	4,208,401.31	3,919,229.12	7.38%
	(ii)	Treasury Bills	329,862.32	300,093.72	9.92%
		Collective Investment schemes	770,893.21	715,773.57	7.70%
	(iv)	Equities - Listed	2,409,320.65	2,301,174.53	4.70%
	(v)	Equities -Unlisted	336,775.04	327,089.51	2.96%
	(vi)	Property	1,696,400.05	1,767,944.06	-4.05%
	(vii)	Term Deposits	1,937,125.24	1,908,277.95	1.51%
	(viii)	Corporate Bonds	286,827.24	350,839.80	-18.25%
	(ix)	Commercial Papers	320.42	320.65	-0.07%
	(x)	Municipal Bonds	-	-	
	(xi)	Offshore Investments	798,529.11	680,582.41	17.33%
	(xii)	Other investments (Insurance policies)	29,468.46	26,410.37	11.58%
(c) Current Assets			1,110,135.94	1,171,669.02	-5.25%
	(i)	Debtors	59,672.54	65,268.69	-8.57%
	(ii)	Income received from fixed interest	167,142.97	144,421.34	15.73%
	(iii)	Arrear Contributions	445,026.64	411,012.19	8.28%
	(iv)	Cash at Bank	365,624.73	481,953.61	-24.14%
	(v)	Others - Interest receivable, Dividends	72,669.06	69,013.19	5.30%
2. LIABILITIES			1,134,377.16	1,105,471.62	2.61%
(a) Long term liabilities (Deferred liability on pension)					-
(b) Current Liabilities			1,134,377.16	1,076,740.90	5.35%
	(i)	Creditors	571,840.19	521,820.98	9.59%
	(ii)	Contributions received in advance	-	41.94	-
	(iii)	Benefits Due	508,915.73	515,740.77	-1.32%
	(iv)	Taxation	36,049.40	32,720.78	10.17%
	(v)	Bank Overdraft	-	60.31	-
	(vi)	Prepayments - Rent/Security/Other	17,571.84	6,356.12	176.46%
NET ASSETS AT END OF QTR			12,816,881.09	12,398,683.31	3.37%
Membership			141,267.00	132,160.00	6.89%
Registered schemes			248	248	
Return on net assets			24.03%	10.14%	
Year On Year Inflation			9.90%	9.90%	

