



PENSIONS AND INSURANCE AUTHORITY

PENSIONS INDUSTRY REPORT

FOR THE QUARTER ENDED

30 JUNE 2011

PREPARED BY PENSIONS DEPARTMENT



1.0 INTRODUCTION

This report covers the key industry results and financial statistics of the performance of pension funds during the second quarter of 2011. The financial information contained in the report has been obtained from the 2011 second quarterly returns submitted to the Authority. Furthermore, previous quarterly financial statistics are included to show the growth and progression of the pension industry.

2.0 SUMMARY OF KEY INDUSTRY RESULTS FOR THE QUARTER

			2011	2011	2010	2010
1. ASSETS			Second Qtr	First Qtr	Fourth Qtr	Third Qtr
(a) Fixed Assets			15,412,182	15,447,638	11,305,958	11,309,745
(b) Investments						
	(i)	Fixed Interest Securities	864,146,343	803,768,822	624,668,218	595,316,777
		Collective Investment schemes	81,620,894	78,523,870	75,111,598	75,048,598
	(ii)	Equities	757,253,894	712,295,529	661,492,993	666,197,764
	(iii)	Property	738,142,175	694,745,887	651,853,645	671,989,553
	(iv)	Cash Deposits	167,992,707	202,316,402	134,634,705	109,634,480
	(v)	Insurance policies	7,278,293	7,296,648	7,710,599	7,710,599
	(vi)	Commercial Papers	90,569,537	91,218,648	92,124,239	90,432,779
		Loans to Employees	8,327,922	8,228,313	6,189,253	6,189,253
	(vii)	Others - Specify	10,365,795	23,394,471	132,383,108	135,104,471
Subtotal			2,725,697,560	2,621,788,590	2,396,662,578	2,368,118,495
(c) Current Assets						
	(i)	Debtors	36,472,426	22,930,677	27,711,733	26,483,911
	(ii)	Accrued Income	18,561,719	25,942,322	19,164,724	21,656,420
	(iii)	Arrear Contributions	83,576,878	91,690,432	78,889,395	106,216,697
	(iv)	Cash at Bank	94,430,108	97,494,558	116,200,398	155,959,769
	(v)	Others - Specify	31,116,117	44,936,597	29,285,866	5,414,621
Subtotal			264,157,248	282,994,586	271,252,116	315,731,418
TOTAL ASSETS			3,005,266,990	2,920,230,814	2,679,220,652	2,695,159,658
2. LIABILITIES						
(a) Long term liabilities (Deferred liability)			3,008,000	2,889,000	2,620,000	2,620,000
(b) Current Liabilities						
	(i)	Creditors	69,908,328	73,026,594	34,396,113	39,466,870
	(ii)	Contributions received in advance	1,250,622	1,536,412	1,601,338	2,498,792
	(iii)	Benefits Due	85,292,636	93,326,424	101,346,645	126,637,072
	(iv)	Bank Overdraft	22,375	1,452,471	674,898	3,392,630
	(v)	Others - Specify	15,468,431	18,888,457	10,184,184	11,541,487
Subtotal			171,942,392	188,230,358	148,203,177	183,536,850
Total Liabilities			174,950,392	191,119,358	150,823,177	186,156,850
NET ASSETS AT THE END OF THE QUARTER			2,830,316,598	2,729,111,456	2,528,397,475	2,509,002,808
Investment mgt. expenses			6,347,547	6,387,696	3,279,279	2,937,256
Administrative mgt. expenses			3,364,847	2,315,494	1,531,003	774,531
Benefits paid			122,353,839	66,302,244	106,572,871	139,477,945
Contributions received			134,846,126	125,791,027	160,654,458	191,370,901
Investment income			82,231,256	88,292,626	86,865,251	93,088,627
Membership			97,567	96,455	91,320	97,941
Registered schemes			224	224	222	219
Return on net assets			12%	13%	14%	

3.0 REGISTERED PENSION SCHEMES

	2 nd Qtr 2011	1 st Qtr 2011	4 th Qtr 2010	3 rd Qtr 2010
Defined Benefit schemes	34	34	34	34
Defined Contribution schemes	186	186	184	181
Hybrid Schemes (DB/DC)	4	4	4	4
Total	224	224	222	219

During the quarter under review, there was no change to the number of pension schemes.

4.0 CONTRIBUTIONS RECEIVED

Description (K'000)	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010	3rd Qtr 2010
Normal-members	44,997,327	41,437,779	50,232,360	19,307,136
Normal-employer	89,848,799	81,987,806	107,479,591	113,085,890
Voluntary cont.	1,267,389	1,104,884	1,138,370	1,263,152
Deficit funding	994,146	300,000	-	50,225,045
Transfer from other funds	8,465,281	960,558	1,804,137	7,489,678
Total	145,572,942	125,791,027	160,654,458	191,370,901

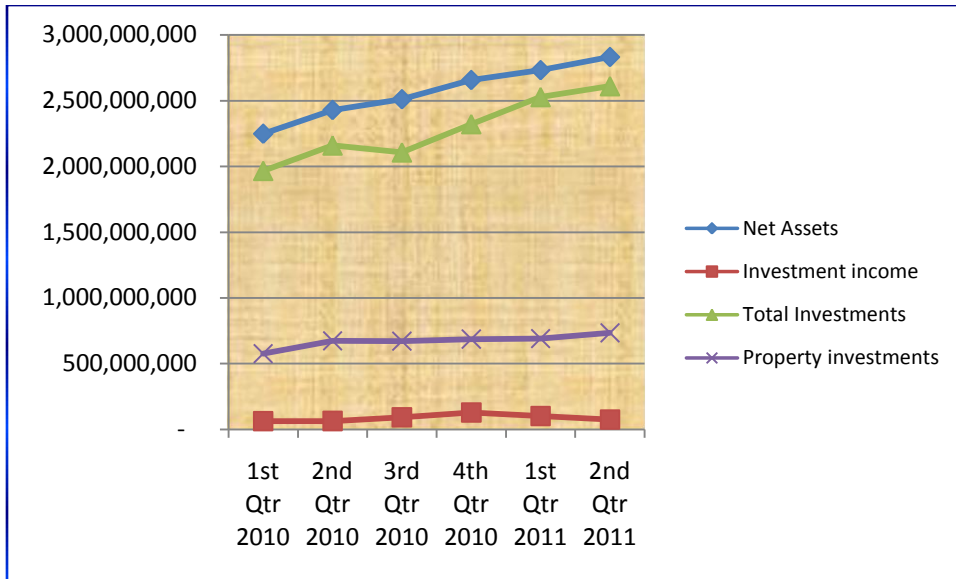
Total contributions increased by 16% over the previous quarter mainly due to salary adjustments.

5.0 BENEFITS PAID

Description (K'000)	2nd Qtr, 2011	1st Qtr 2011	4th Qtr 2010	3rd Qtr 2010
Pension	18,464,745	14,922,427	16,084,107	10,784,927
Lump Sum benefits	62,030,982	30,097,450	57,945,999	91,707,222
Death benefits	14,882,580	3,119,883	8,704,370	6,055,357
Refunds	26,922,318	18,007,484	23,297,453	30,671,523
Transfer to other funds	53,215	155,000	540,942	258,916
Total	122,353,840	66,302,244	106,572,871	139,477,945

There was an increase in pension paid during the quarter by 85%.

6.0 MOVEMENT OF SOME SELECTED VARIABLES



There was a stable growth of the industry net assets from 2010 first quarter to 2011 second quarter as shown in the graph.

The net asset base for the pension funds as at the end of 2011 second quarter was ZMK2.83 trillion as compared to ZMK2.73 trillion in first quarter.

7.0 EXPENSES

a) Total expenses¹

The total expenses amounted to K 21.9 billion for the quarter under review from K 22.1 billion during the quarter under review representing a 1% decrease.

The ratio of expenses to contribution was 15.4% during the quarter under review and during the previous quarter.

b) Investment management expenses

Total investment management expenses were K 6.4 billion for the second quarter (1st Qtr, 2011 was also K6.4 billion). The investment management expenses accounted for 29% of the total expenses during the quarter under review and during the previous quarter.

c) Administrative expenses

Administrative expenses during the quarter under review were ZMK3.4 billion as compared to ZMK 2.3 billion in the previous quarter. There was an increase of 48% in the industry administrative expenses to K 3.4 billion from K 2.3 billion.

¹ Total expenses do not include payments made to the members, such as benefits paid or refunds

d) Trustee related expenses²

These expenses reduced from K479 billion to K 409 million and accounted for 2% of the total expenses.

8.0 INVESTMENT INCOME

Total investment income reduced to ZK 82 billion in the quarter under review from ZK 88 billion in the previous quarter, representing 7% reduction. The reduced investment income is mainly as a result of reduced change in value of investments.

The pension industry return on funds for the 2011 second quarter was 12% (Qtr 1 2011:13%).

Inflation during the quarter has been 9%.

	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010	3rd Qtr 2010
Fixed interest Securities	24,547,125	22,961,964	29,512,902	24,462,125
Dividends from equities	7,046,087	2,406,322	5,620,920	5,646,599
Net Rent from Properties	12,485,665	11,299,206	11,303,476	11,664,333
Interest from cash deposits	4,868,463	2,287,972	3,292,807	2,902,023
Fair value changes in equities	5,460,893	32,199,996	23,150,869	12,493,777
Property revaluations	3,309,000	3,553,000	2,025,000	2,025,000
Foreign exchange gain/ (loss)	7,164,507	(2,629,258)	(9,350,932)	12,733,186
Change in value investments	5,091,085	8,567,475	9,291,513	9,255,287
Profit/(loss) on sale of shares	81,875	157,119	197,808	77,883
Other	12,176,556	7,488,829	11,820,887	11,828,413
Total	82,231,256	88,292,626	86,865,251	93,088,627

9.0 EQUITY

Investment in equity during the quarter review accounted for 26% of net assets and increased by 6%. The table below provides the movements equity during the first and second quarters of 2011.

Amount in ZK million	Qtr 2, 2011	Qtr 1, 2011	Qtr 4, 2010	Qtr 3, 2010
Opening balance	712,296	665,599	587,843	635,988
Additions	12,751	9,726	0	0
Disposals	(7,128)	(3,814)	-	0
Market value change	39,336	40,784	77,756	(48,145)
Closing values	757,254	712,296	665,599	587,843

The movement in equity investments was largely attributed to capital gains.

² Trustee related expenses refer to, training, meeting, retainer and seating allowances

10.0 PROPERTY INVESTMENT

Property investments increased from K 695 billion in the first quarter to K 738 billion in the second quarter. Net rental income increased slightly from K 11.299 billion in the first quarter to K 12.485 billion in the second quarter. The return on investment property during the quarter was 7% for the year 2011.

The return on investment property was computed as a % of net rental income to total value of investment property. Property investments accounted for 26% of net assets (Qtr 1 2011 24%). The table below shows the movement of investment property.

Amounts in ZK'Millions	Qtr 2, 2011	Qtr 1 2011	Qtr 4 2010	Qtr 3 2010
Opening	694,746	687,098	671,990	673,346
Revaluations	-	-	8,472	
Disposals	-	-	-	(1,356)
Acquisitions	43,396	7,648	6,637	
Closing value	738,142	694,746	687,098	671,990

The increase in property investment during the quarter under review is attributable to acquisition in property investments.

9.0 CONTRIBUTION ARREARS

Arrear contributions reduced to ZK 83 billion from ZK 92 billion during the quarter under review. At an industry level, arrear contributions to contributions income are at 62%.

10.0 MEMBERSHIP STATISTICS

There was an increase in total membership from 97,567 to 96,549. The industry composition of these statistics are given below

Analysis of Membership Data

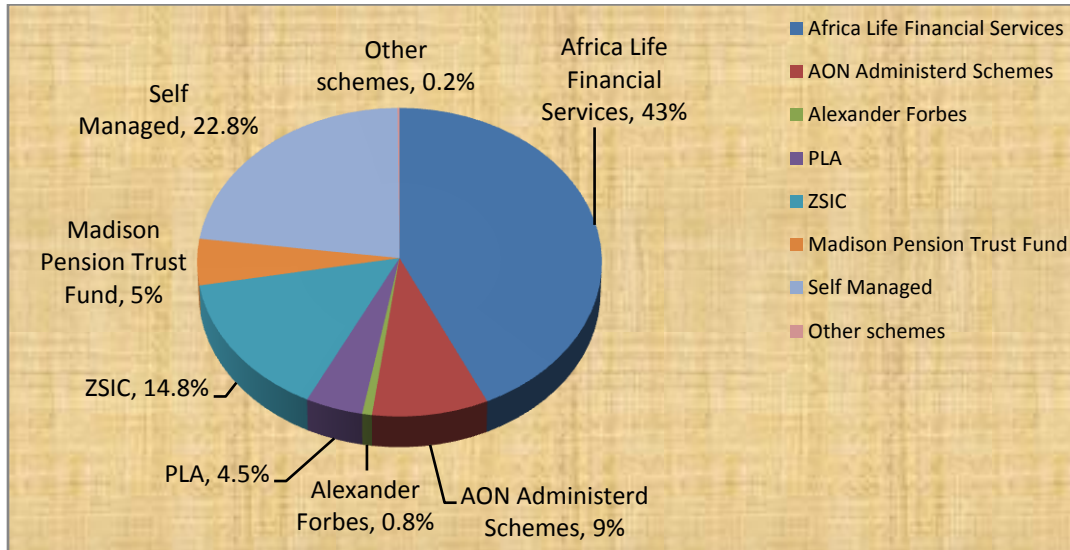
Description	Qtr 2, 2011	Qtr 1, 2011	Qtr 4, 2010	Qtr 3, 2010
Active Members	61,164	60,719	59,937	60,090
Pensioners	16,541	16,499	16,698	17,799
Deferred	19,862	19,237	14,685	20,052
Sub Totals	97,567	96,455	91,320	97,941

11.0 REFUND OF CONTRIBUTIONS

There were 33 schemes (Qtr 1 2011: 35) out of the 47 reporting pension schemes that experienced refund of contributions with a total sum of ZK 27billion (Qtr 1, 2011 K 18 billion) during the quarter under review. These refunds may be as a result of members changing employers and going to where there is no registered pension scheme, or the members leaving the scheme do not wish to defer their benefits so that they get it once they reach retirement.

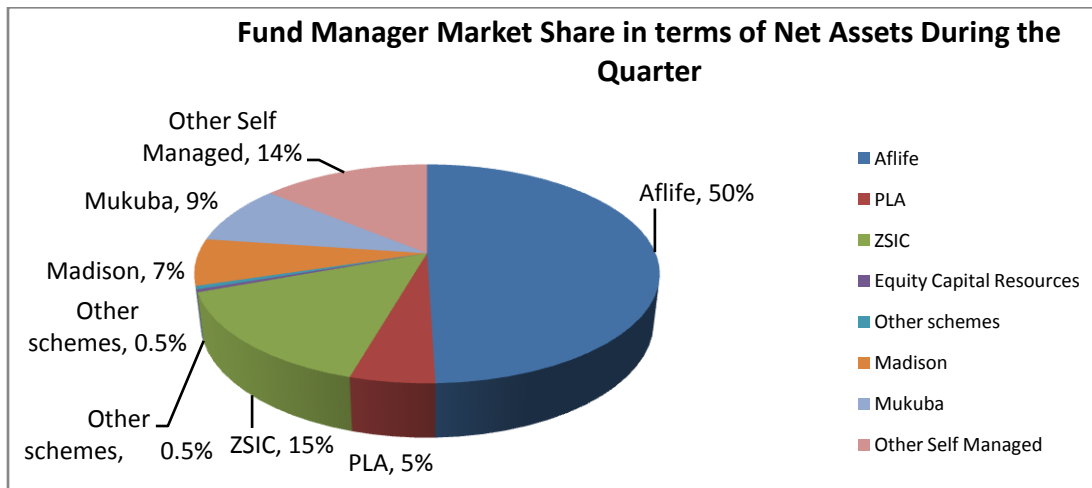


12.0 FUND ADMINISTRATOR AND SCHEMES MARKET SHARE IN TERMS OF NET ASSETS



NOTE: Other schemes relate to those schemes that are in the process of selecting new administrator

11.0 FUND MANAGER AND SCHEMES MARKET SHARE IN TERMS OF NET ASSETS



NOTE: Other schemes refer to those schemes (new & some Fidelity Life managed schemes) that are yet to appoint a manager.

12.0 REGISTERED PENSION FUND MANAGERS AND ADMINISTRATORS

There are 5 Fund managers and 6 Fund Administrators. The following are the current authorized service providers for the pension industry in Zambia as at second quarter 2011.

1. Fund Managers

Number	Name of Fund Manager
1	African Life Financial Services (Z) Ltd
2	Professional Life Assurance
3	Madison Life Insurance Ltd
4	Zambia State Insurance Corporation Life Ltd
5	Equity Capital Resources Limited

2. Fund Administrators

Number	Name of Fund Administrator
1	African Life Financial Services (Z) Ltd
2	Alexander Forbes Financial Services (Z) Ltd
3	AON Zambia Pension Fund Administrators
4	Madison Life Insurance Ltd
5	Professional Life Assurance
6	Zambia State Insurance Corporation Life Ltd

