



PENSIONS AND INSURANCE AUTHORITY

PENSIONS INDUSTRY REPORT

FOR THE QUARTER ENDED

30 September 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 third quarter of 2011. The financial information contained in this report has been obtained from the 2011 third quarterly returns submitted to the Authority. Furthermore, previous quarterly financial statistics are included to show the growth and progression of the pension industry.



3.0 REGISTERED PENSION SCHEMES

	3 rd Qtr 2011	2 nd Qtr 2011	1 st Qtr 2011	4 th Qtr 2010
Defined Benefit schemes	34	34	34	34
Defined Contribution schemes	189	186	186	184
Hybrid Schemes (DB/DC)	4	4	4	4
Total	227	224	224	222

During the quarter under review, three pension schemes were registered namely UTI Zambia Pension Scheme, Africa Fifty Three Pension Fund and Sinozam Pension Scheme.

4.0 MEMBERSHIP STATISTICS

There was a decrease in total membership from 97,567 as at 30 June 2011 to 93,746 as at 30 September 2011. The major reason for this reduction is due to reconciliation of membership figures especially by Local Authority Superannuation Fund. The industry composition of these statistics is given below;

Analysis of Membership Data

Description	Qtr 3, 2011	Qtr 2, 2011	Qtr 1, 2011	Qtr 4, 2010
Active Members	60,274	61,164	60,719	59,937
Pensioners	16,456	16,541	16,499	16,698
Deferred	17,016	19,862	19,237	14,685
Totals	93,746	97,567	96,455	91,320

5.0 CONTRIBUTIONS RECEIVED

Description (K'000)	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010
Normal-members	51,585,726	44,997,327	41,437,779	50,232,360
Normal-employer	104,735,277	89,848,799	81,987,806	107,479,591
Voluntary cont.	1,305,606	1,267,389	1,104,884	1,138,370
Deficit funding	252,188	994,146	300,000	-
Transfer from other funds	803,331	8,465,281	960,558	1,804,137
Total	158,682,128	145,572,942	125,791,027	160,654,458

The increase in employer contribution from ZK89 billion in the second quarter to ZK104 billion in the third quarter is arising mainly from the LASF scheme.



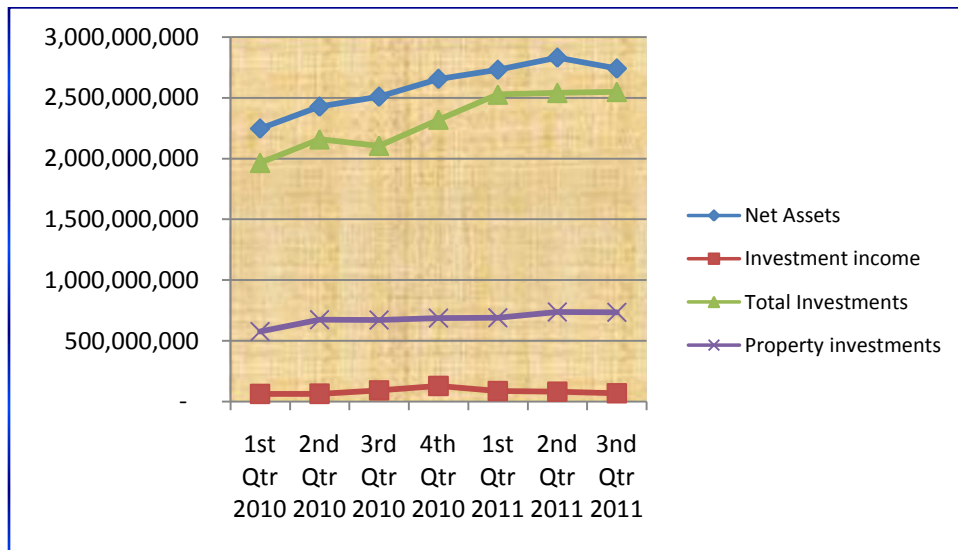
6.0 BENEFITS PAID

Description (K'000)	3rd Qtr, 2011	2nd Qtr, 2011	1st Qtr 2011	4th Qtr 2010
Pension	19,174,019	18,464,745	14,922,427	16,084,107
Lump Sum benefits	59,804,955	62,030,982	30,097,450	57,945,999
Death benefits	4,940,000	14,882,580	3,119,883	8,704,370
Refunds	42,379,949	26,922,318	18,007,484	23,297,453
Transfer to other funds	-	53,215	155,000	540,942
Total	126,298,923	122,353,840	66,302,244	106,572,871

There was an increase in pension paid during the quarter by 3% from K122 billion as at 30 June 2011 to K126 million as at 30 September 2011.

There were 32 schemes (Qtr 2 2011: 33) out of the 47 reporting pension schemes that experienced refund of contributions with a total sum of ZK 43 billion (Qtr 2, 2011 K 27 billion) during the quarter under review. The schemes most affected include Konkola Copper Mines Pension Scheme had a refund of 16.4 billion, Saturnia Regna 5.2 billion, Barclays bank 3.9 billion, ZSIC 3.6 billion, Madison Life 2.7 billion, Professional life 1.6 billion, Kwacha Pension Trust Fund 1.3 billion and Stanbic Bank 1.1 billion.

MOVEMENT OF SOME SELECTED VARIABLES



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

The net asset base for the pension funds as at the end of 2011 third quarter was ZMK 2.74 trillion as compared to ZMK 2.83 trillion in second quarter. The main schemes responsible for this reduction including ZSIC Pension Fund and Barclays Bank Pension Scheme.

7.0 EXPENSES

a) Total expenses¹

The total expenses amounted to K 39 billion for the quarter under review from K 21 billion during the quarter under review representing a 68% increase.

Description (K'000)	3rd Qtr, 2011	2nd Qtr, 2011	1st Qtr 2011	4th Qtr 2010
Operational Expenses	3,695,981	1,667,744	2,056,752	4,093,802
Staff Costs	14,177,673	5,174,865	5,298,126	17,761,481
Management costs	1,198,475	592,146	570,959	3,459,974
Investment Mgt Expenses	10,598,313	6,347,547	6,387,696	3,279,279
Administrative expenses	4,394,967	3,364,847	2,315,494	1,531,003
Trustee Related Expenses	508,848	409,051	324,226	981,834
Inv. Property Costs	423,682	415,846	196,341	(20,574)
Taxes paid & other expenses	4,180,779	3,951,356	4,965,169	1,048,886
Total	39,178,718	21,923,402	22,114,763	32,135,685

The increase in staff costs from 5.1 billion in the second quarter to 14.1 in the third quarter is arising mainly from the LASF scheme.

The ratio of expenses to contribution was 25% while expenses to net assets was 1.5% during the quarter under review.

b) Investment management expenses

Total investment management expenses were K 10.6 billion for the third quarter (2nd Qtr, 2011 was also K6.4 billion). The investment management expenses accounted for 27% of the total expenses during the quarter under review

c) Administrative expenses

Administrative expenses during the quarter under review were ZMK 4.4 billion as compared to ZMK 3.4 billion in the previous quarter. There was an increase of 29% in the industry administrative expenses.

d) Trustee related expenses²

These expenses increased from K409 million to K 508 million and accounted for 12% of the total expenses.

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

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

³ The formula used is investment income divided by the average of the net assets of the current period and net assets of the previous net assets. This amount is annualized.



8.0 INVESTMENT INCOME

Total investment income reduced to ZK 66 billion in the quarter under review from ZK 82 billion in the previous quarter, representing 18% 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 third quarter was 10%³ (Qtr 2 2011:12%).

Inflation during the quarter has been 8.3%.

INVESTMENT INCOME				
K'000	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010
Fixed interest Securities	29,214,566	24,547,125	22,961,964	29,512,902
Dividends from equities	6,563,889	7,046,087	2,406,322	5,620,920
Net Rent from Properties	12,119,156	12,485,665	11,299,206	11,303,476
Interest from cash deposits	4,333,139	4,868,463	2,287,972	3,292,807
Fair value changes in equities	9,398,384	5,460,893	32,199,996	23,150,869
Property revaluations	3,309,000	3,309,000	3,553,000	2,025,000
Foreign exchange gain/ (loss)	872,905	7,164,507	-2,629,258	-9,350,932
Change in value investments	-13,010,207	5,091,085	8,567,475	9,291,513
Profit/(loss) on sale of shares	0	81,875	157,119	197,808
Other	13,652,571	12,176,556	7,488,829	11,820,887
Total	66,453,807	82,231,256	88,292,626	86,865,251

9.0 EQUITY

Investment in equity during the quarter under review accounted for 29% of net assets and increased by 6%. The table below provides the movements equity during the quarters of 2011.

Amount in ZK million	Qtr 3,2011	Qtr 2,2011	Qtr 1, 2011	Qtr 4, 2010
Opening balance	757,254	712,296	665,599	587,843
Total Change	44,951	44959	46,696	77,756
Closing values	802,205	757,254	712,296	665,599

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

10.0 INVESTMENT PROPERTY

Property investments increased from K 738 billion in the second quarter to K 740 billion in the third quarter. Net rental income reduced from K 12.485 billion in the second quarter to K 12.119 billion in the third quarter. The return on investment property during the quarter was 2%.

The return on investment property was computed as a percentage of net rental income to total value of investment property. Property investments accounted for 27% of net assets (Qtr 2 2011 26%). The table below shows the movement of investment property.

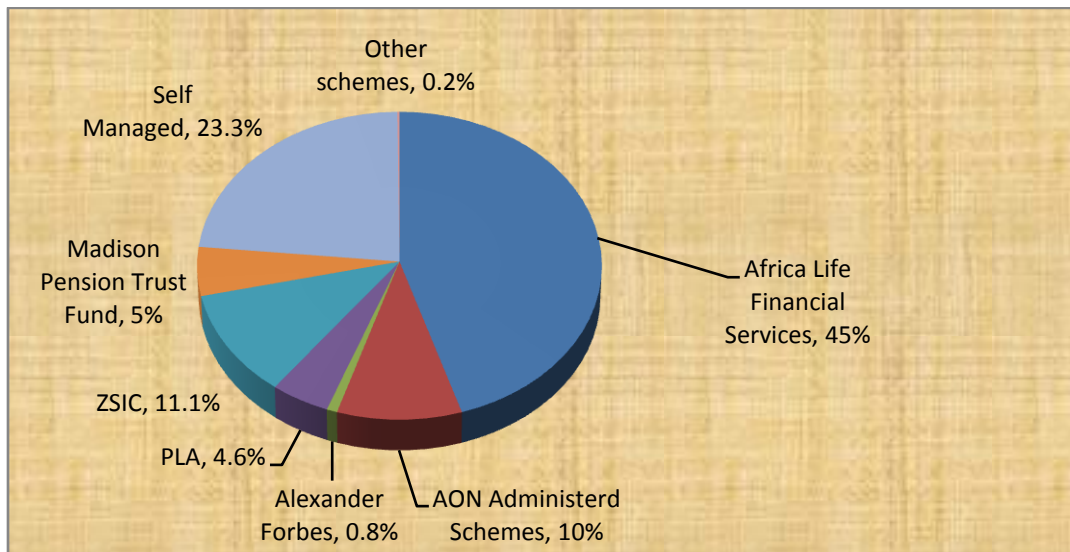
Amounts in ZK'Millions	Qtr 3,2011	Qtr 2, 2011	Qtr 1 2011	Qtr 4 2010
Opening	738,142	694,746	687,098	671,989
Total Change	2,588	43,396	7,648	15,109
Closing value	740,730	738,142	694,746	687,098

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

11.0 CONTRIBUTION ARREARS

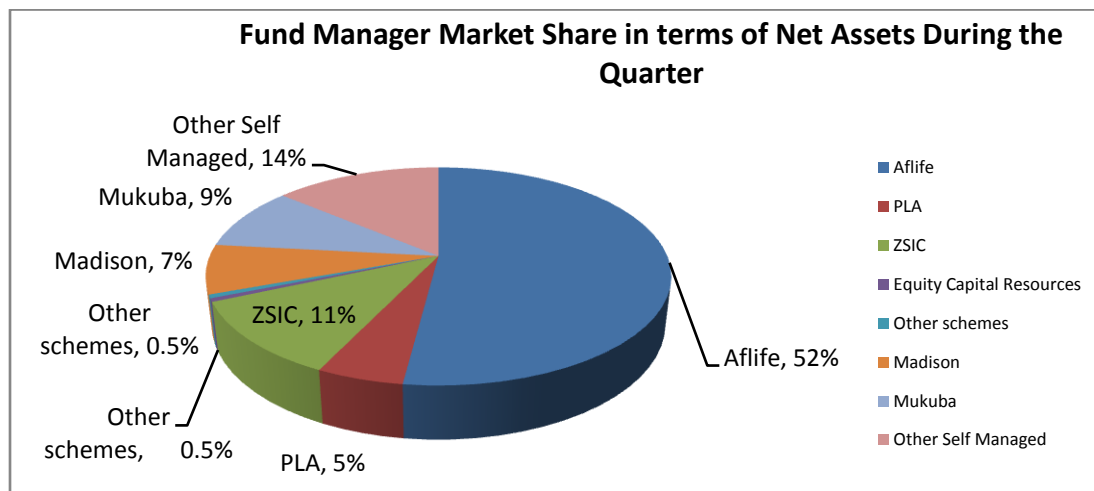
Arrear contributions reduced to ZK 76 billion from ZK 83 billion during the quarter under review. At an industry level, arrear contributions to contributions income are at 48%.

12.0 FUND ADMINISTRATORS MARKET SHARE IN TERMS OF NET ASSETS



Administrator & Other Schemes	No. of Schemes
Africa Life Financial Services	93
AON Administered Schemes	14
Alexander Forbes	5
PLA	36
ZSIC	25
Madison Pension Trust Fund	41
Self Managed	6
Other schemes	7
Total	227

13.0 FUND MANAGERS MARKET SHARE IN TERMS OF NET ASSETS



14.0 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 third 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

