

ZAMBIA



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	54 091
GDP per capita (USD)	1 144
Population (000s)	12 620
Labour force (000s)	
Employment rate	
Population over 65 (%)	
Dependency ratio ¹	

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- National Pension Scheme: contributed by both employees and employer
- Public Service Pension Fund (PSPF): public sector pension scheme
- Local Authority Superannuation Fund (LASF): pension schemes in the local authorities

Private pensions: occupational (voluntary)

- Occupational pension plans. It could be DB or DC
- Contribution is compulsory for employers but not employees. Normally employee contribution is one third of the total amount

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	542,971	655,721	1,177,191	1,060,499	1,208,522	ND	ND	ND
Total investments, as a % of GDP	4.13	4.03	5.78	4.08	3.72	ND	ND	ND
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	4.92	5.00	5.91	5.74	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	100.00	100.00	100.00	100.00	100.00	ND	ND	ND
• Book reserves	ND	ND	ND	ND	ND	ND	ND	ND
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	ND	ND	ND	ND	ND
By pension plan type								
• Occupational assets	542,971	655,721	1,177,191	1,060,499	1,208,522	ND	ND	ND
• % of DB assets	ND	ND	ND	ND	ND	ND	ND	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	ND	ND
• Personal assets	0.00	0.00	0.00	0.00	0.00	ND	ND	ND
Structure of Assets (as a % of Total investments)								
Cash and Deposits	11.86	12.31	14.42	10.46	15.00	ND	ND	ND
Fixed Income	19.49	21.02	16.27	30.54	27.85	ND	ND	ND
Of which:								
• Bills and Bonds issued by the public and private sector	19.49	21.02	16.27	30.54	27.85	ND	ND	ND
• Loans	0.00	0.00	0.00	0.00	0.00	ND	ND	ND
Shares	8.21	10.38	10.31	13.16	17.83	ND	ND	ND
Land and Buildings	28.17	24.33	19.77	23.90	23.57	ND	ND	ND
Other Investments	32.28	31.97	39.23	21.95	15.75	ND	ND	ND
Contributions and Benefits								
Total Contributions, as a % of GDP	1.09	1.02	1.46	1.09	0.95	ND	ND	ND
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
Total Benefits, as a % of GDP	0.70	0.70	0.65	0.54	0.46	ND	ND	ND
• % of benefits paid as a Lump sum	9.17	13.76	67.95	71.95	63.78	ND	ND	ND
• % of benefits paid as a Pension	90.83	86.24	32.05	28.05	36.22	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership	175	217	249	244	224	ND	ND	ND
• % of Active membership	69.14	75.14	73.63	73.37	69.86	ND	ND	ND
Of which: % of Deferred membership	4.86	12.86	13.18	11.37	5.93	ND	ND	ND
• % of Passive membership	30.86	24.86	26.37	26.63	30.14	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	142	159	170	182	207	217	ND	ND
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

ZAMBIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Zambia's National Provident Fund (ZNPf) was restructured in the 1990s and converted to a basic, compulsory, social insurance scheme, administered by the National Pension Scheme Authority (NAPSA). Members of the NAPSA are old members of the ZNPf and new employees, including central and local government civil servants who started work from 2000. All employed persons (including agricultural workers, domestic servants in urban areas etc.) are covered. Voluntary coverage is for the self-employed and some categories of informal-sector workers who were previously covered for at least 60 months (NB 88% of workers in Zambia are part of the informal sector and only 3% are fully part of the formal sector). Workers younger than 16 or over 55, or earning less than K15,000 a month, and armed forces personnel are excluded.

The scheme is funded by 5% of covered earnings (10% for voluntary contributions) contributed by the employee and 5% from the employer. The maximum monthly earnings for contribution purposes are equal to 4x national average monthly earnings.

Pensions are paid to those over 55 with at least 180 contributions who have retired from regular employment. A reduced early pension is paid from age 50 with at least 180 contributions is the resulting reduced pension is at least equal to the minimum pension. Pension payments are adjusted annually in line with national average earnings. The monthly pension is equal to the insured's average adjusted monthly earnings x no. of months of contribution. The minimum monthly pension is equal to 20% of national earnings and the maximum 40% of the insured's average adjusted monthly earnings. Benefits are portable across employment opportunities. An old-age settlement is paid if the insured does not qualify for the old-age pension, which is a lump sum equal to the total adjusted contributions from the insured person and the employer + accrued interest. The NAPSA is not as yet fully funded as the government has been defaulting on its mandatory contributions.

The pension scheme for teachers and armed forces was merged with the Civil Service Pension Fund in 1996 (Public Service Pension Fund – PSPF). A Local Authorities Superannuation Fund (LASF) also still operates. Monthly pensions are low for those in the PSPF and LASF due to the size of the lump sum which can be taken upon retirement. Parametric reforms for these schemes have been planned but as yet not implemented (due to Constitutional protection for some civil servant benefits), and the schemes remain in deficit.

OCCUPATIONAL VOLUNTARY

Coverage

Employers, singly or as a group, may establish complementary plan. Collective bargaining between the plan sponsor and employees' representatives is usually part of establishing the plan. Plans must be authorized by the Registrar or Pensions and Insurance (RPI) and are organised on a trust basis (with a board made up of equal numbers of employer and employee representatives).

Contributions

Employers are required to contribute, usually at double the rate of employee contributions (between 10-20% of salary). Employers sponsoring a DB plan sometimes do not contribute a fixed rate but pay what is necessary, in addition to employee contributions, to ensure that liabilities are properly funded.

Plans may be contributory or non-contributory for employees, as specified in the plan rules. Employees usually pay one-third of the total contributions. In practice most plans are contributory at a rate of 5 (most usual)-10%.

Benefits

Tax rules require a minimum retirement age of 55 (45 for some types of work if approved by the relevant authorities). Plans may be DB or DC (most large plans being the former, smaller plans the latter). Many plans are shifting from DB to DC arrangements. Benefits are usually paid as pension, with the greater of ZMK 5million or 50% of the cash value of the pension rights payable as a lump sum.

Taxation

Employee contributions are tax deductible up to ZMK 60,000 month, with employer contributions deductible up to 20% of payroll. Investment income is taxed at the withholding tax rate on all government securities of 15% (dividend income tax exempt) and benefits are tax exempt.

MARKET INFORMATIONOccupational voluntary

Trustees must contract out asset management to an asset manager (i.e. an administration company, bank, insurance company or registered financial services company). Plan assets may be invested in bonds, treasury bills, equity or cash. Up to 30% of assets may be invested abroad. Fees are not regulated but determined by the market.

The market for occupational schemes is small as over 80% of those employed work in the informal sector, with only around 3% in the fully formal environment.

POTENTIAL REFORM

Alternative pillars to provide greater diversity in pension saving options has been proposed, but have not been able to proceed without further reform of the NAPSA system.

REFERENCE INFORMATION
KEY LEGISLATION

The 1996 National Pensions Scheme Act authorized the conversion while the 1996 Pension Schemes Regulation Act established the PIA.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

The pension regulator, the Pensions and Insurance Authority (PIA) was established in 2000 to regulate all pension schemes except NAPSA.

Pensions and Insurance Authority

<http://www.pia.org.zm>