



Staff Pension
Fund

"Retirement Security. Today and Tomorrow"



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ABOUT THIS REPORT

The Annual Report provides a performance overview and commentary on Zimbabwe Electricity Supply Authority Staff Pension Fund (ZESA Staff Pension Fund) operations for the financial year ended 31 December 2020. The main purpose of this report is to communicate the financial and non-financial performance of the Fund to our stakeholders.

The annual financial statements were audited by Grant Thornton Chartered Accountants, approved by the Board of Trustees as per the Fund Rules and submitted to the regulator, Insurance and Pensions Commission (IPEC).

STRATEGIC FOUNDATIONS

Vision

To ensure that all members achieve a secure and sustainable retirement income.

Mission statement

We are committed to providing the best service delivery and retirement security for our members – today and tomorrow.

Building blocks

- Passionate about members and pensioners.
- Digitalisation and innovation.
- Responsible to stakeholders.

Our values

- Client centric.
- Diligence.
- Innovation.
- Professionalism.
- Integrity.

GENERAL INFORMATION

Nature of business

Provision of employee benefits.

Principal Officer

Bright Kondo

Offices

4th Floor Megawatt House
44 Samora Machel Avenue
Harare

Fund Actuary

Quantum Consultants and Actuaries
Ground Floor, East Wing,
Block 6, Celestial Office Park,
Borrowdale
Harare

Auditors

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Camelsa Business Park
135 Enterprise Road
Highlands
Harare

Bankers

Stanbic
Samora Machel Avenue
Harare

Equity Asset Managers

IMARA Asset Management Zimbabwe
Block 2, 1st Floor Tendeseka Office Park
Samora Machel Avenue
Harare



CHAIRPERSON'S REPORT



Mrs. T. R. Madzonga
Chairperson

Financial results

The Fund showed resilience over the year 2020 despite economic challenges and disruptions brought about by the Covid-19 pandemic. There was improvement in income and surplus during the year, driven by income from investments in property and equity markets.

Inflation adjusted financials

Financial Aspect	2020	2019	Change
Surplus for the year	ZWL 406 Million	ZWL217 million	+87% ▲
Total Income	ZWL 623 Million	ZWL641 Million	-3% ▼
Total Expenditure	ZWL181Million	ZWL241 Million	-25% ▼
Total Assets	ZWL 2.05 Billion	ZWL1.7Billion.	+21% ▲

Historical financials

Financial Aspect	2020	2019	Change
Surplus	ZWL 1.7 Billion	ZWL 309 Million	246+% ▲
Total Income	ZWL 1.8 Billion	ZWL332 million	442+% ▲
Total Expenditure	ZWL 130 Million	ZWL 23 Million	465+% ▲
Total Assets	ZWL 2.05 Billion	ZWL375 million.	447+% ▲

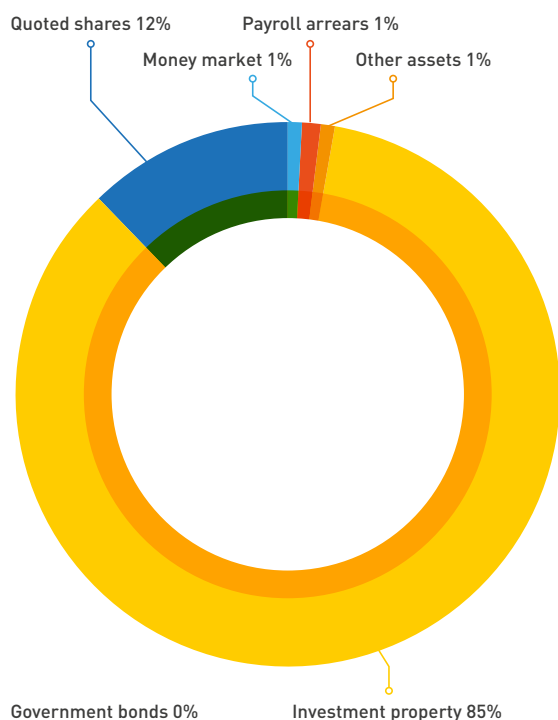
Investments

The Fund's objective has been to hold on to assets that hedge against inflation and protect member values. This has seen exposure in real assets remaining high.

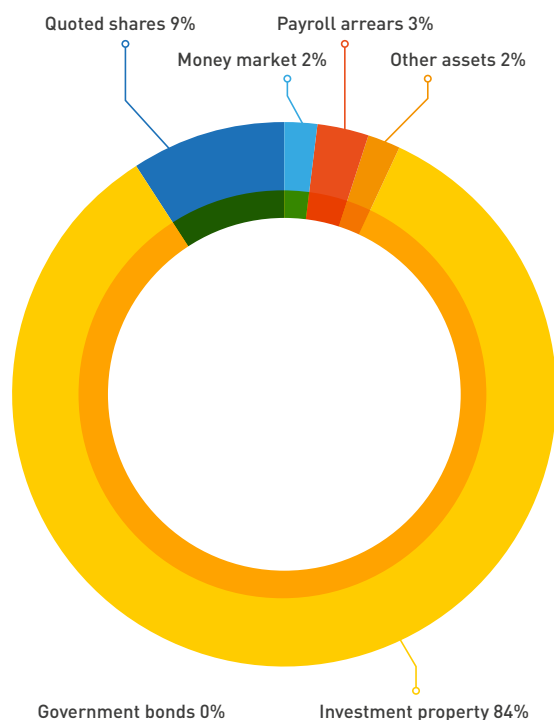
CHAIRPERSON'S REPORT

(CONTINUED)

Asset allocation as at 31 December 2020



Asset Allocation as at 31 December 2019



Listed Equity portfolio

In monetary terms the Listed Equity portfolio appreciated from ZWL35.8 million as at 31 December 2019 to ZWL254.8 million as at 31 December 2020.

Property portfolio

The Property portfolio increased from ZWL316 million as at 31 December 2019 to ZWL1.7 billion as at 31 December 2020 as a result of capital appreciation. Occupancy improved from 91% as at 31 December 2019 to 91.03% as at 31 December 2020 and rental collection rate increased from 77% to 90% within the same period.

Actuarial Assessment position

Aspect	2019	2020	% Change
Return	543.6%	463.3%	-14.8%
Funding level	46.3%	46.4%	0.2%
Actuarial Deficit	ZWL 431,228,860	ZWL 2,354,094,033	445.9%
Inflation	521.16%	348.59%	-172.57%

The Board is aware of:

- The erosion of purchasing power of pension that occurs under hyperinflationary conditions and will endeavour to avoid the experiences of the 2005-8 period. During 2020, the Fund awarded cumulative pension increase of 483.3% for the year 2020 compared to 28.8% for the year 2019.
- The increase in the actuarial deficit in monetary terms. ZESA Holdings and REA are working on plans to settle the actuarial deficit.

CHAIRPERSON'S REPORT

(CONTINUED)

Preserved /Active members were awarded bonuses equivalent to Fund return of 543.6% for 2019 and 463.3% for 2020.

Actuarial deficit

The Government of Zimbabwe, in its 2019 budget pronouncements issued a statement that all defined benefit funds for parastatals should be converted into defined contributions. Subsequent to the pronouncement, the Insurance and Pensions Commission issued out a letter to request the Fund on measures taken to ensure the long-term financial soundness of the Fund.

Various Board discussions and engagements with the Participating Employers (ZESA Holdings and REA) were done and it was resolved to convert the Fund into defined contribution with effect from 01 January 2020. Currently, this is the work which is underway to convert the Fund into a defined contribution and merge with the Zimbabwe Electricity Industry Pension Fund by the 31st of December 2021.

The Fund posted an actuarial deficit of ZWL2.4bn as at 31 December 2020 and the participating employers are exploring ways to settle the deficit.

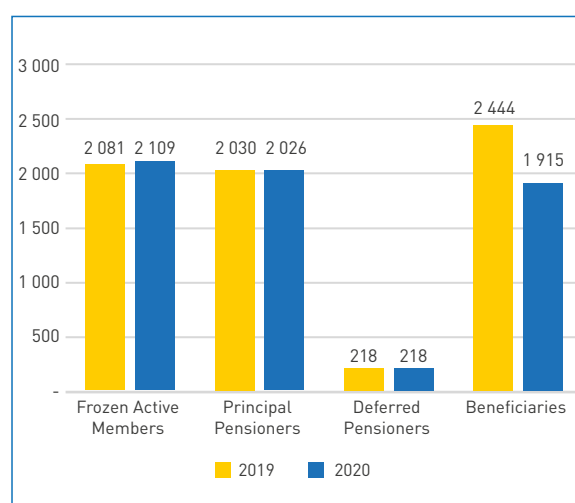
A number of outreach sessions will be held throughout the country in the month of June and July 2021 to disseminate the conversion information.

Operating environment

The financial year started on a depressed base given the negative economic growth of 6% in 2019. The outbreak of Covid-19 exacerbated the national economic and social challenges during the first half of the year. Notably, the lockdowns put in place to contain the spread of the virus significantly scaled down business operations.

The monetary authorities introduced a dual pricing system through Statutory Instrument 85 of 2020 which allowed rental receipts in more stable currencies. This provided much needed relief to landlords. In addition, there was introduction of the weekly foreign currency auction system. These measures have had a positive impact on the property market.

Membership



Member engagement

Due to lockdown restrictions, the Fund was not able to carry out outreach programmes during the year 2020. Regular member education sessions provide our members with the opportunity to ask questions and allow us to empower them to continue to make the right decisions. Looking forward, I trust that the Fund engagement efforts will empower our members to plan their retirement better.

In 2020 the Fund engaged members/pensioners through the following ways:

1. Fund website www.zeipf.co.zw.
2. Fund WhatsApp 0777 953 777.
3. Emails: benefits@zesapf.co.zw.
4. Circulars.

CHAIRPERSON'S REPORT

(CONTINUED)

Compliance

The industry has seen an increase in regulatory monitoring and issuance of laws to improve service delivery in the industry. Some of the key Circulars issued include:

Document	Release Date	Content
Circular 17 of 2020	7 February 2020	Minimum Disclosure Guidelines for the Pension Industry.
	13 March 2020	Guideline for Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms.
S.I 91 of 2020	April 2020	Pension and Provident Funds (Amendment) regulations, 2020 (No.25). Regulatory requirements for fund Management and reporting templates for funds pension funds.
Circular 11 of 2020	9 June 2020	Risk Management and Corporate Governance Guidelines.
Circular 21 of 2020	20 October 2020	Criteria for Projection of Pension Benefits and Determination of Applications for Commutation for Pension Benefits.
Circular 24	18 November 2020	Currency reforms guidance paper – Replacement of 30 June 2020 interim valuation with more regular bonus declarations.
Statutory Instrument 280 of 2020	27 November 2020	Writing of forex business.
Circular 26 of 2020	30 November 2020	Implementation of IAS 29.

The Fund has put in place policies and structures to comply with all these requirements for the enhancement in the governance of your Fund.

Trustees

In line with the Fund Rules, the term of office of five Trustees came to an end on 31 December 2020 and was extended to 31 July 2021 to allow the conclusion of elections given the Covid -19 restrictions which slowed down the process. Mr. J. Mapillar and Mr. D. N. Chiradza were re-appointed as Trustees. Mr D. Maviva, Mr. A. Mudzonga and Mr. O. Nyekete were appointed or elected as new Trustees to replace Dr. H. Murerwa, Mr. M. Zenasi and Mr. J. Makumbinde whose term of office came to an end and were not re-appointed or re-elected. I was subsequently appointed as the Board Chairperson in line with the Fund Rules. I look forward to working with my fellow trustees and indeed management to achieve the stretching targets we have set for ourselves.

CHAIRPERSON'S REPORT

(CONTINUED)

Outlook

The Covid-19 pandemic has forced our global community to deal with exceptional social and health care challenges, volatile financial markets, and dramatic economic impacts. Global economic activity is expected to remain subdued due to uncertainties brought by the pandemic. The Zimbabwe economy continues to suffer from effects of the Covid-19 pandemic, and this has negatively impacted the rate of economic recovery. The relative economic stability registered from the second half of 2020, coupled with the good rains received this season, give hope for a better economic performance which will influence positively the performance of the Fund.

We have strong confidence in the Fund's 2021 - 2025 strategic plan, which is designed to enhance our operational processes and investments, and to keep us well positioned for both future financial disruptions and new investment growth opportunities. Cost management and a strong focus on governance continues to underpin everything the Board of Trustees, the Principal Officer and the

Fund's service providers do in providing members with a well-managed Fund.

We remain committed to ensuring the best possible outcome for our members/pensioners and beneficiaries.

Appreciation

I would like to thank my fellow trustees for your ongoing commitment, professionalism and support, and the rest of the team, including our service providers and Principal Officer, for helping us to consistently deliver on our mission.

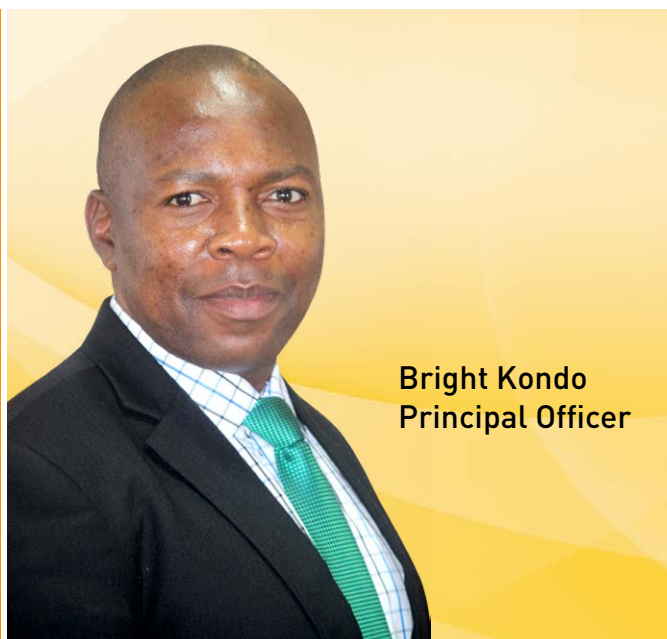
On behalf of the Board of Trustees, I also wish to express my profound appreciation to our valued business partners and critical stakeholders who continue to support the Fund in various ways.



Mrs. T. R. Madzonga
Chairperson



GENERAL MANAGER / PRINCIPAL OFFICER'S REPORT



Bright Kondo
Principal Officer

The year 2020 was characterised by the Covid-19 pandemic and, with it, the need to continue to offer services to members in a digital and safe manner, along with protecting the quality of the services rendered.

Pension Funds were designated by Government as essential services during the Covid-19 lockdown period, the Fund was able to have skeletal staff reporting for duty at the offices.

Financial results

The Fund performed well in 2020 on the back of harsh economic environment characterised by inflationary pressures, due to its high exposure to real assets.

In inflation adjusted terms, the Fund closed the year with a profit of ZWL406 million compared to 2019 which had a profit of ZWL217million. The improvement in performance was due to performance of the property and quoted shares portfolio.

We ended the year with a growth rate of 22% in inflation adjusted terms.

Performance against the Strategic Plan

The Fund in 2020 was focused on:

- **Fund growth.** The Fund investments are largely long-term in pursuit of sustainable risk-adjusted returns. The Fund posted an investment return of 463.3% ahead of inflation rate of 348.59%. The Fund was hedged against inflation by high exposure to real assets at 97% which saw the Fund growing by 22% in terms of inflation adjusted accounts. In historical terms the Fund grew from ZWL375 million as at 31 December 2019 to ZWL2.05 billion as at 31 December 2020.
- **Containment of operational costs.** Several strategies to contain costs were continuously being implemented and will continue to be implemented. This has seen operational costs decreasing from 5% of total income to 2.6% of total income. The Fund targets operational costs not to exceed 5% of total income.
- **Actuarial deficit.** The Fund was focused on resolving the critical issue of the actuarial deficit to comply with laws and regulations. As at 31 December 2020 the actuarial deficit stood at ZWL 2.4bn and is unsustainable. Of the possible solutions discussed, the Board of Trustees and Participating Employers resolved that the conversion of the Fund into a Defined Contribution arrangement and subsequent merger with ZEIPF was the best solution for all stakeholders. The implementation of the conversion process from Defined Benefit to Defined Contributions is at an advanced stage, with outreach programmes to educate members on the merger to be rolled out in Q3 2021.
- **Enhanced member experience.** The Fund continuously strived to identify and implement initiatives that enhanced the lives of its members and beneficiaries. During the year, regular pension increases which amounted to cumulative increase of 483.3% were awarded to cushion pensioners against the harsh economic environment.

The Fund provided many channels of engagement with members and pensioners to timeously resolve queries and provide advisory services.

GENERAL MANAGER / PRINCIPAL OFFICER'S REPORT (CONTINUED)

- **Improved corporate governance and risk management.** In the year under review, several policies were put in place in line with directives from the regulator and best practice in the industry. These included the robust risk management framework.
- **Talent identification and development.** The Fund acknowledges that the retention of competent staff is central to fulfilling the Fund's long-term goals for the benefit of members and pensioners. In that regard, the Fund invested in the development and retention of Fund management staff.
- **Digitalisation**
The need for innovative solutions, particularly, in the post Covid-19 era calls for fresh insight to ensure the Fund continues to deliver on its strategic goal for the benefit of members and beneficiaries. Having the right technology, systems and processes in place proved to be critical in 2020 as the Fund successfully transitioned to a work-from-home environment in response to the Covid-19 pandemic.

Covid 19 Impact on the Fund

The COVID-19 outbreak and resulting measures taken by Government of Zimbabwe to contain the virus have had an impact on the operations of the Fund. During the year 2020 and into 2021, various aspects have been impacted by the outbreak and continue to be affected. It should be noted that for:

- **Tenants** – An assessment of the Fund tenants indicated that about 25% of tenants were non-essential service providers and were closed during the lockdown period. This impacted the collection rate by a similar magnitude during the lockdown period.
- **Pensioners** – Due to lockdown restrictions pensioners were finding it difficult to visit various centers for submission of life certificates. In 2020 the submission of life certificates was waived due to challenges which pensioners were facing. In 2021 the submission deadline was extended to 30 June 2021.
- **Investments** – Generally, the impact of Covid 19 on Fund investments was minimal as the major assets invested in were quoted shares and

property. 75% of the Fund tenants were declared as essential services and were operational.

- **Participating Employers** – The participating employers were negatively impacted on revenue collections. This translated into the employers delaying the payments of the actuarial deficit.

Outlook and appreciation

The outlook remains uncertain due to the pandemic and its likely continued negative impact on economic growth across the globe. The fiscal and monetary reforms being implemented in the country, coupled with the positive agricultural season, should bring some relief. The Fund will continue to focus on improving members' income and preserving the value of benefits in an inflationary environment.

On behalf of management, I would like to thank our staff for their commitment in serving our members despite the challenges brought by Covid-19 related disruptions and new ways of work. I would also like to thank our regulator (IPEC) for continued support, as well as our Board of Trustees for their steer and direction.



Bright Kondo
Principal Officer



CORPORATE GOVERNANCE STATEMENT

The Fund adheres to the corporate governance principles derived from the Zimbabwe National Code on Corporate Governance, corporate governance best practice, and guidelines from IPEC. The Trustees' Code of Conduct and the Board Charter are available to Trustees for reference regarding their fiduciary duties and obligations. The Trustees are aware that they take independent professional advice at the Fund's expense, if necessary, for the furtherance of their duties.

The Board of Trustees evaluation exercise is carried out annually.

Board composition

The Board of Trustees is composed of nine Trustees made up of four (4) Employer appointed Trustees, three (3) Member elected Trustees, and two (2) Pensioner elected Trustees. It meets on a quarterly basis to review and approve Committee recommendations.

Board Committees

The Board has the following Committees that assist in the discharge of its responsibilities:

i. Audit, Risk and Compliance Committee

The Committee is responsible for the integrity of the Fund's financial statements and the effectiveness of the systems of governance, risk management and internal control, and for monitoring the effectiveness and objectivity of the internal and external auditors. Every year, the Committee reviews the scope of work for the internal auditors and the planning memorandum for external auditors. The Committee considers the appointment and fees of both internal

and external audit fees, who have unrestricted access to it. The Audit, Risk and Compliance Committee meets on a quarterly basis.

ii. Finance, Investments and Procurement Committee

The Committee considers management recommendations regarding investment opportunities in various asset classes. The Committee also reviews the performance of the Fund and the actuarial recommendation for pension increases and bonuses. This Committee meets on a quarterly basis.

iii. Human Resources, Remuneration, Legal and Benefits Committee

The Committee considers Fund staff remuneration issues, oversees the recruitment of high-level posts and conditions of service. It has the critical role of handling any legal issues for the Fund and review of members/pensioners benefits. The Committee meets on a quarterly basis.

RISK REPORT

Risk management approach

The Fund developed a risk management framework in line with ISO 31000 International Risk Management Standards. The Fund risk management approach is based on the Enterprise Risk Management Model which involves all levels of management in identifying and managing risks affecting the Fund. The Fund's Audit, Risk and Compliance Committee (ARCC) is responsible for monitoring the Fund's risk management processes and providing oversight over implementation of risk mitigation measures.

CORPORATE GOVERNANCE STATEMENT

(CONTINUED)

Top 5 Funds risk exposures

The following are the key strategic risks that the Fund is facing and the mitigation measures in place to reduce their impact to attain the strategic objectives.

Risk Subcategories	Risk description	Current level	Control Measures	Residual level
Non submission of actuarial deficit - Funding, Solvency & Credit risk.	Insufficient assets to meet liabilities caused by non submission of actuarial deficit Or failure to do new projects.		Conversion of the Fund into a DC and merger with ZEIPF. Conversion of actuarial deficit into a loan.	
System functionality or failure- Operational risk.	Systems not available or down affecting business processes.		Finalise systems implementation and integration.	
Covid 19 pandemic - Operational risk	Business slowdown that may affect rental payments and rental space uptake. It also affects member experience.		Effective tenants engagements. Use digital platforms to deliver service.	
Tenant's default, Credit & Counterparty risk.	Risk of default of payment of rentals when due because of slow business activity.		Effective and continuous tenant engagements. Regular review of counterparties and financial position.	
Suboptimal Benefits level - currency changes & poor returns risk.	Risk from low benefits level against the member expectations and purchasing power of the benefits due to currency changes and low lower returns.		Quarterly pension increases Prudent investment strategy aligned to economic developments.	



TRUSTEES RESPONSIBILITY STATEMENT

It is the Trustees' responsibility to ensure that the inflation adjusted financial statements fairly present the state of affairs of the Pension Fund. The external auditors are responsible for independently reviewing and reporting on the inflation adjusted financial statements.

The financial statements set out in this report have been prepared by management in accordance with the Pension and Provident Funds Act (Chapter 24:09) as read with the Pension and Provident Funds Regulations (S.I. 323 of 1991). They are based on appropriate accounting policies which are supported by reasonable and prudent judgements and estimates.

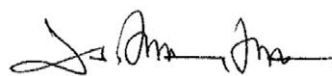
The Trustees of the Pension Fund have the power to amend the financial statements after the date of issue, if applicable. The Pension Fund had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement and any international accounting standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In the opinion of the Trustees, the requirement to comply with Statutory Instrument (S.I) 33 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRSs Conceptual Framework. This has resulted in the adoption of accounting treatment in the 2019 Fund's financial statements, which deviates from that which would have been applied if the Fund had been able to fully comply with international accounting standards. This constitutes a departure from the requirements of international accounting standards on the accounting of the effects of Changes in Foreign Exchange Rates.

The Pension Fund's internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements

and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on the established written policies and procedures which are monitored throughout the Pension Fund and all employees are required to maintain the highest ethical standards in ensuring that the Pension Fund's practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Trustees have been addressed and the Trustees confirm that the system of accounting and internal controls is operating in a satisfactory manner.

The Pension Fund's inflation adjusted financial statements were, in accordance with their responsibilities, approved by the Trustees on 18th of March 2021 and are signed on its behalf by:



Chairman
Dr. Herbert Murerwa



Principal Officer
Mr Bright Kondo

These inflation adjusted annual financial statements were prepared under the supervision of:



Ms Shylet Mapiye
Head of Finance

INDEPENDENT AUDITORS' REPORT

To the members of Zimbabwe Electricity Supply Authority Staff Pension Fund

Report on the audit of the Financial Statements

Adverse Opinion

We have audited the inflation adjusted annual financial statements of Zimbabwe Electricity Supply Authority Pension Fund set out on pages 18 to 29, which comprise of forms PPFR 4, 5, 6, 7, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted annual financial statements do not fairly present the financial position of the Pension Fund as at 31 December 2020, and its Statement of Comprehensive Income for the year then ended.

Basis for Adverse Opinion

Impact of compliance with SI 33/19

In the financial statements for the year ended 31 December 2019, the Fund maintained its functional currency as ZWL, and presented the financial statements in ZWL using an exchange rate of 1:1 from 1 January to 22 February 2019 in compliance with SI 33/19. The financial statements were not in line with fair presentation of financial statements as the financial statements were not presented at a rate that approximates the market rate.

An Adverse Opinion was issued in the financial statements for the year ended 31 December 2019 in respect of this matter, which remained unresolved in 2020, thereby affecting the comparative financial information for 2019 and the opening balances applied to the financial statements for the year ended 31 December 2020. The financial effects of this have not been determined and are considered to be pervasive.

Fair value determination for assets, transactions and liabilities

The determination of fair values for assets, transactions and liabilities presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

We conducted our audit in accordance with Pensions and Provident Funds Act (Chapter 24:09). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Inflation adjusted Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

COVID-19

We draw attention to note 13 which describes the uncertainties related to the possible effects of the COVID-19 outbreak on the Pension Fund.

Investments in prescribed assets

Without further modifying our opinion above, we draw attention to the Form P.P.F.R.7 on the financial statements. In terms of section 18(2a) of the Pension and Provident Funds Act (Chapter 24:09) as read together with the 2019 gazetted national budget, registered Pension Funds shall at all times hold not less than 20% of the aggregate fair value of all their assets in Zimbabwe in prescribed assets. The Pension Fund had 0.03% investments in the prescribed assets and as a result did not comply with the statutory requirements.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below related to the financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment property</p> <ul style="list-style-type: none"> The Pension Fund has investment property amounting to ZWL 1 700 116 280 (2019: ZWL 333 613 000) (Refer to P.P.F.R.5 (1) to the financial statements). The Pension Fund had their investment property revalued during the current financial year. The valuation of property and equipment involves judgement and assumptions and is therefore one of the key judgmental areas on which our audit was concentrated. 	<ul style="list-style-type: none"> Our procedures in relation to the valuation exercise included evaluating the competence, capabilities and objectivity of the team involved in doing the valuation exercise. Reviewed, on a sample basis, the accuracy and relevance of the input data provided used by management including the reasonableness of assumptions made. Reviewed the financial statements to ascertain whether the necessary adjustments and related disclosures had been captured correctly. <p>We satisfied ourselves that the value of investment property disclosed by the Pension Fund is adequate.</p>

Responsibilities of Management and Those Charged with Governance for the financial statements for the year ended 31 December 2020

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Pension and Provident Funds Act (Chapter 24:09), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Pension Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Pension Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Pension Fund financial reporting process.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due

to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Pension Fund's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

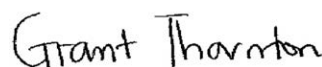
We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In our opinion, except for the possible effects of the matters described in the Basis for Adverse Opinion paragraph, the financial statements have been properly prepared in compliance with the requirements of the Pension and Provident Fund Act [Chapter 24:09] and Statutory Instrument 323/91 of the Insurance and Pensions Commission Regulations of Zimbabwe.

The engagement partner on the audit resulting in this independent auditor's report is Edmore Chimhowa.



Edmore Chimhowa
Partner
Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

30 March 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	INFLATION ADJUSTED		HISTORICAL COST	
	2020	2019	2020	2019
	ZWL	ZWL	ZWL	ZWL
INCOME				
I. Contributions during the period				
II. Contributions towards actuarial deficit	105 733 054	131 119 305	82 417 250	9 325 700
IV. Income from investments:	84 041 608	60 652 788	60 257 408	5 956 880
V. Net surplus on sale/redemption of investments	26 999 064	27 421 497	15 768 514	5 244 652
VI. Revaluation income/ fair value gains on investments	401 759 358	399 156 579	1 633 949 346	309 961 051
VII. Other	4 564 800	23 587 210	2 520 970	1 772 158
Total income	623 097 884	641 937 379	1 794 913 488	332 260 441
EXPENDITURE				
I. Benefits	139 842 735	178 209 264	106 950 242	16 975 437
II. Administrative expenditure	41 148 455	62 851 465	23 340 502	5 769 306
III. Other expenditure	-	254 815	-	56 804
IV. Amortisation, depreciation, and impairment of assets	11 947	38 609	7 049	2 622
Total expenditure	181 003 137	241 354 153	130 297 793	22 804 169
Surplus / (loss)	442 094 747	400 583 226	1 664 615 695	309 456 272
Net monetary gain / (loss)	(36 185 622)	(183 429 888)	-	-
Surplus for the year	405 909 125	217 153 338	1 664 615 695	309 456 272

Auditor

Grant Thornton

Principal Officer

B.A. Ad

Chairman of Trustees

S. M. M. M.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		NOTES	INFLATION ADJUSTED		HISTORICAL	
			2020	2019	2020	2019
			ZWL	ZWL	ZWL	ZWL
ASSETS						
I	Operating Assets		228 753	287 397	32 677	9 728
II	Non-current assets					
	(a) Investment property	6	1 737 825 000	1 418 023 821	1 737 825 000	316 110 000
	(b) Equities					
	Quoted	7	254 849 861	160 626 634	254 849 861	35 807 357
	Unquoted		71 973	51 242	71 973	11 423
	(c) Prescribed assets			3 952 039	-	881 000
	(d) Other non-current assets		58 508	262 458	58 508	58 508
III	Current investments					
	(a) Prescribed assets				-	
	Government bonds		600 000		600 000	-
	(b) Money markets		24 999 000	27 148 398	24 999 000	6 052 000
	(c) Cash on hand and at bank		7 987 633	8 162 503	7 987 633	1 819 609
IV	Sundry debtors		24 866 541	66 162 423	24 866 541	14 749 120
			2 051 487 269	1 684 676 915	2 051 291 193	375 498 745
LIABILITIES						
I	Provisions		1 097 183	4 921 805	1 097 183	1 097 183
II	Arrear pension benefits		1 019 470	1 699 570	1 019 470	378 873
III	Reserves					
	(a) Accumulated Fund		291 500 650	193 480 220	291 304 575	43 076 835
	(b) Revaluation reserve		1 745 158 782	1 473 229 133	1 745 158 782	328 416 529
IV	Other Creditors		12 711 184	11 346 187	12 711 183	2 529 325
			2 051 487 269	1 684 676 915	2 051 291 193	375 498 745

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received for actuarial deficit payments	142 807 674	151 782 478	82 584 155	10 353 163
Cash paid to service providers	(13 634 329)	(17 472 635)	(6 004 898)	(3 143 708)
Levies and subscriptions paid	(917 429)	(240 003)	(573 440)	(15 392)
Benefits paid	(139 842 735)	(178 209 264)	(106 309 645)	(17 244 202)
Interest received	782 350	6 451 155	440 130	532 723
Dividends received	4 186 968	9 021 559	3 461 499	799 419
Rent received	80 136 793	48 104 111	54 106 212	4 611 274
Staff expenses	(9 606 707)	(12 277 768)	(4 403 657)	(1 100 657)
Board expenses	(1 532 322)	(4 712 696)	(1 021 073)	(539 645)
Net monetary loss	(63 872 262)	(113 941 848)	-	-
Cash to be generated from operating activities	(1 491 999)	(111 494 911)	22 279 283	(5 747 025)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of investment property	(11 912 484)	(578 752)	(5 293 293)	(101 509)
Purchase of operating assets	(108 618)	-	(35 572)	-
Acquisition of subscriptions and equities	(5 235 416)	(1 370 919)	(4 366 644)	(68 671)
Proceeds from sale of subscriptions and equities	31 881 916	31 159 224	18 901 291	10 810 813
Property expenses paid	(15 457 668)	(28 403 178)	(6 370 041)	(2 261 736)
Cash outflow from investing activities	(832 270)	806 375	2 835 741	8 378 897
Net cash inflow for the year	(2 324 269)	(110 688 536)	25 115 024	2 631 872
CASH AND CASH EQUIVALENTS				
Opening balance	35 310 901	145 999 438	7 871 609	5 239 737
Increase in cash and cash equivalents for the period	(2 324 269)	(110 688 536)	25 115 024	2 631 872
Closing balance	32 986 632	35 310 902	32 986 633	7 871 609

MEMBERSHIP STATISTICS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
		In Zimbabwe	Outside Zimbabwe	In Zimbabwe	Outside Zimbabwe
I	Number of principal members at beginning of the year	5 013	-	5 041	-
	Number of beneficiaries at the beginning of the year	2 377	-	2 453	-
	Total	7 390	-	7 494	-
II	Membership as at end of year				
	(a) New entrants for the year	-	-	-	-
	(b) Transfers in	-	-	-	-
	(c) Active members	-	-	-	-
	(d) Deferred pensioners	2 565	-	2 594	-
	(e) Pensioners	2 030	-	2 055	-
	(f) Suspended pensioners	131	-	149	-
	(g) Members with unclaimed benefits	194	-	215	-
	Total membership at the end of the year	4 920	-	5 013	-
III	Beneficiaries at the end of the year				
	(a) Pensioners				
	Surviving spouses	1 564	-	1 499	-
	Children	351	-	430	-
	Other dependants	-	-	-	-
	(b) Suspended pensioners				
	Surviving spouses	210	-	239	-
	Children	164	-	209	-
	Other dependants	-	-	-	-
	Total beneficiaries at the end of the year	2 289	-	2 377	-
IV	Exits at the end of the year				
	(a) Transfers out	-	-	-	-
	(b) Full commutations	-	-	-	-
	(c) Death	34	-	28	-
	(d) Other	85	-	76	-
		119	-	104	-

DETAILED ANALYSIS OF COST OF ASSETS

		INFLATION ADJUSTED	
		2020	2019
		Percentage	Percentage
		of total	of total
		value of	value of
		assets	assets
		%	%
		Total	Total
		amount	amount
		ZWL	ZWL
Section A			
Assets, at cost held in terms of section 18(2) of the Act:			
I	Local registered securities issued by:		
	(a) Statutory bodies	-	-
	(b) Government stocks	600 000	3 952 039
		0.03%	0.23%
II	Other approved holdings	-	-
		-	-
	Sub-total	600 000	3 952 039
		0.03%	0.23%
Section B			
Other assets at cost			
III	Debentures and notes	58 508	262 458
		0.00%	0.02%
IV	Ordinary and deferred shares		
	- Quoted	254 849 861	160 626 634
		12.42%	9.53%
	- Unquoted	71 973	51 242
		0.00%	0.00%
V	Fixed property - net of depreciation	1 737 825 000	1 418 023 821
		84.71%	84.17%
VI	Other assets	228 753	287 397
		0.01%	0.02%
VII	Money markets	24 999 000	27 148 398
		1.22%	1.61%
VIII	Cash and cash equivalents	7 987 633	8 162 503
		0.39%	0.48%
	Sub-total	2 026 020 728	1 614 562 453
		98.76%	95.84%
IX	Other debtors - net of provision	24 866 541	66 162 423
		1.22%	3.93%
	Total	2 051 487 269	1 684 676 915
		100.00%	100.00%

DETAILED ANALYSIS OF COST OF ASSETS

(CONTINUED)

		HISTORICAL COST	
		2020	2019
		Percentage	Percentage
		of total	of total
		value of	value of
		assets	assets
		%	%
Total amount ZWL		Total amount ZWL	
Section A			
Assets, at cost held in terms of section 18(2) of the Act:			
I Local registered securities issued by:			
(a) Statutory bodies	-	-	-
(b) Government stocks	600 000	0.03%	881 000 0.23%
II Other approved holdings	-	-	-
Sub-total	600 000	0.03%	881 000 0.23%
Section B			
Other assets at cost			
III Debentures and notes	58 508	0.00%	58 508 0.02%
IV Ordinary and deferred shares			
- Quoted	254 849 861	12.42%	35 807 357 9.54%
- Unquoted	71 973	0.00%	11 423 0.00%
V Fixed property - net of depreciation	1 737 825 000	84.72%	316 110 000 84.18%
VI Other assets	32 677	0.00%	9 728 0.00%
VII Money markets	24 999 000	1.22%	6 052 000 1.61%
VIII Cash and cash equivalents	7 987 633	0.39%	1 819 609 0.48%
Sub-total	2 025 824 652	98.76%	359 868 625 95.84%
IX Other debtors - net of provision	24 866 541	1.22%	14 749 120 3.93%
Total	2 051 291 193	100.00%	375 498 745 100.00%

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

1.1 Nature of the Fund

The Fund is a self-administered pension fund registered in term of the Pensions and Provident Funds Act (Chapter 24:09) and provides recurring income to its members on retirement or the members beneficiaries in the event of death. The Fund was established on the 24th of January 1986 in Zimbabwe and caters for members employed by successor companies of Zimbabwe Electricity Supply Authority. The registered office of the Fund is 4th Floor Megawatt House, Samora Machel Avenue, Harare.

1.2 Functional and presentation currency

These financial statements are presented in Zimbabwean dollars (ZWL) being the currency of the primary economic environment in which the Pension Fund operates.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and shares that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a market participant at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies adopted are set out below.

2.2 Going concern

The Trustees, have at the time of approving the financial statements, a reasonable expectation that the Fund have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Pension fund and the income can be reliably measured.

2.3.1 Contributions towards actuarial deficit

Contributions towards actuarial deficit are recognised on receipt basis.

2.3.2 Interest

Interest is recognised on a time proportion basis taking into account the principal outstanding and effective rate over the period to maturity.

2.3.3 Rent income

Rent income is recognised on a straight-line basis over the term of the respective lease.

2.3.4 Dividends

Dividend income from investments is recognised when the Fund's rights to receive payment have been established.

2.4 Investments

The provisions of section 18(2) of the Pension and Provident Fund Act (Chapter 24:09) as read together with the 2019 gazetted national budget, registered Pension Funds shall at all times hold not less than 20% of the aggregate fair value of all their assets in Zimbabwe in prescribed assets.

On 20 March 2013, the Insurance and Pensions Commission (IPEC), issued Circular 1 of 2013, which promulgated maximum

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

investment thresholds regarding specific investment classes for life companies and self-administered pension funds. Circular 1 of 2016 then allowed organisations to register their Investment Policy Statements (IPS) with investment guidelines. The Fund registered its IPS with IPEC and investment guidelines are as follows:

Asset class	Strategic Allocation	Tolerance range
Listed Shares	20%	20%-30%
Fixed property	50%	30%-50%
Bonds	20%	20%-25%
Cash/ Money	10%	10%-15%

As at 31 December 2020 the Pension Fund was not in full compliance with this circular.

2.5 Investment property

Investment property being, land and buildings held to earn rental income, for capital appreciation and / or for undetermined future use, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any loss or gain arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

2.6 Vehicles and equipment

Vehicles and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs

directly attributable to making the asset capable of operating as intended. Their useful lives and residual values are assessed annually. Annual depreciation is charged proportionately over the remaining useful life of an asset where its carrying amount is higher than its residual value. If the carrying amount is lower than the residual value, no depreciation is charged. The Fund acquires its vehicles and equipment with the intention of using them for their entire useful lives, hence their residual values were assessed as zero.

Subject to the above, vehicles and equipment are depreciated on a straight-line basis over the remaining useful lives as follows:

Computers	3 years
Motor vehicles	5 years
Furniture and equipment	5-10 years

2.7 Foreign currencies

Investment in equity instruments are initially recognised at the cost of acquiring them and subsequently at their fair value. Changes in the fair value of the instruments is recognised in the profit and loss.

3. Income Tax

In terms of the Third Schedule of the Income Tax Act (Chapter 23:06), pension funds are exempt from income tax, capital gains tax and residents tax on interest from financial institutions until such a date as the Minister may specify by notice in the Government Gazette. As no such notice has been gazetted in respect of the period covered by these financial statements, no provision for tax has been made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4. Revaluation Gains/ Fair Value Gains

	Inflation adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Revaluation gains on investment property	307 888 695	919 624 909	1 416 421 707	298 142 349
Fair value gains on equity instruments	93 870 663	(520 468 330)	217 527 639	11 818 702
	401 759 358	399 156 579	1 633 949 346	309 961 051

5. Vehicles and Equipment

	INFLATION ADJUSTED	
	Furniture and equipment ZWL	Computers and software ZWL
Net carrying amount at 31 December 2019	276 190	11 205
Additions	108 618	-
Transfer out	(155 313)	-
Depreciation charge	(11 877)	(70)
Net carrying amount at 31 December 2020	217 618	11 135
Gross carrying amount - cost	229 495	11 205
Accumulated depreciation	(11 877)	(70)
	HISTORICAL COST	
	Furniture and equipment ZWL	Computers and software ZWL
Net carrying amount at 31 December 2019	9 455	273
Additions	35 572	-
Transfer out	(5 574)	-
Depreciation charge	(7 015)	(34)
Net carrying amount at 31 December 2020	32 438	239
Gross carrying amount - cost	39 453	273
Accumulated depreciation	(7 015)	(34)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6. Investment property

	INFLATION ADJUSTED ZWL	HISTORICAL COST ZWL
Fair value		
As at 1 January 2019	497 820 160	17 866 142
Additions during the year	578 752	101 509
Revaluation gain	919 624 909	298 142 349
Balance as at 31 December 2019	1 418 023 821	316 110 000
Additions during the year	11 912 484	5 293 293
Revaluation	307 888 695	1 416 421 707
	1 737 825 000	1 737 825 000

There are currently no obligations to purchase, construct or develop the investment properties.

The fair value of the Fund's investment property at 31 December 2020 has been arrived at on the basis of valuation carried out at that date by ZIMRE Property Investments, independent valuers not connected with the Fund. The valuation conforms to International Valuation Standards. The fair value was determined based on the market approach that reflects recent transaction prices for similar properties.

7. Listed Securities

	INFLATION ADJUSTED ZWL	HISTORICAL COST ZWL
Fair value		
Balance as at 1 January 2019	683 461 771	24 528 587
Additions	1 370 919	68 671
Disposal	(3 737 727)	(608 603)
Unrealised gains	(520 468 330)	11 818 702
	160 626 633	35 807 357
Additions	5 235 417	4 366 642
Disposal	(4 882 852)	(2 851 777)
Fair value gain	93 870 663	217 527 639
	254 849 861	254 849 861

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. Actuarial Review

The Trustees find it prudent to carry out an actuarial valuation of the Fund to:

- Assess the Fund's financial position.
- Recommend a pension increase to be made to pensioners in payment from the Fund.
- Recommend an interest rate to be credited to each members' account as at the financial year end.
- Recommend the interim interest rate to be applied for claim payments in the following year.

The actuarial valuation carried out in line with IPEC guidelines as at 31 December 2020 revealed that the Fund had a deficit of ZWL2 354 094 033.00. The Fund is a defined benefit plan and is currently in the process of converting to defined contribution plan.

9. Conversion into a Defined Contribution

The Fund is in the process of converting from a defined benefit fund to a defined contribution fund. The Board of Trustees and ZESA Holdings Board passed resolutions in 2020 to convert the Fund into a defined contribution plan as at 31 December 2019.

Upon approval of the conversion by the regulator Insurance and Pensions Commission the financial statements for 2020 would need to be restated in line with the accounting for defined contribution plan.

10. Investments

The cost and market values of investments are as follows:

	2020		2019	
	Cost ZWL	Market value ZWL	Cost ZWL	Market value ZWL
Government stock	-	-	-	-
Other approved holdings	600 000	600 000	881 000	881 000
Debentures	32 438	58 508	58 508	58 508
Ordinary and deferred shares				
- Listed	5 298 866	254 849 861	4 072 636	35 807 357
- Unlisted	71 973	71 973	11 423	11 423
Cash on hand or short notice	-	-	-	-
Fixed property in Zimbabwe - net of depreciation	23 260 944	1 737 825 000	17 967 651	316 110 000
Deposits and savings accounts	24 999 000	24 999 000	6 052 000	6 052 000
Motor vehicles and equipment - net of depreciation	32 677	32 677	9 728	9 728
Motor Vehicles	-	-	-	-
Other debtors	24 866 541	24 866 541	14 749 120	14 749 120
Cash on hand and bank	7 987 633	7 987 633	1 819 609	1 819 609
	87 150 072	2 051 291 193	45 621 675	375 498 745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

11. Operating environment

On 30 November 2020, the Commissioner of Insurance and Pensions, issued Circular 26 of 2020 which revised the basis and form of reporting in Financial Statements of Pension Funds. The circular Mandates all Pension and Provident Funds and Fund administrators to adhere to International Financial Reporting Standards (IFRS) in preparing Financial Statements.

12. Compliance with IPEC guidelines

The Fund in ensuring compliance with the guideline has measured assets at fair value at the measuring date of 31 December 2020. The Fund has assessed and concluded that transactions and balances relate to Sub Account A and Sub Account B did not have transactions in 2019 and 2020. This was a result of the fact that:

- i. The Fund did not have new members in 2019 and 2020.
- ii. All income received in 2019 and 2020 related to returns generated by assets that were there and repayments towards the actuarial deficit.

13. Covid-19 Pandemic

The effects of Covid-19 pandemic both direct and indirect has had an impact on the 2020 financial year and is expected to continue affecting the Fund in the foreseeable future. The outbreak has caused a decline in the country's GDP as companies shut down. In the medium term, companies might need to downsize by terminating or suspending employment contracts or retrenching. For the Fund there might also be an influx of claims due to deaths, ill health retirements and retrenchments.

The extent of the impact of Covid-19 on the Fund's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors, all of which are uncertain and cannot be predicted. Consequently, the Fund income may decline due to lower customer activity and own scale down initiatives to manage impact to staff. At this point, the extent to which Covid-19 may impact the Fund's financial condition or results of operations is uncertain. Based on stress performed, the Fund is able to continue as a going concern. Performance of stress tests on the impact that the pandemic may have on the Fund's performance will continue for as long as the pandemic continues.

ACTUARIAL REPORT: 31 DECEMBER 2020

PREPARED BY QUANTUM CONSULTANTS AND ACTUARIES

To the Trustees,

- 1.1 Quantum Consultants and Actuaries ("Quantum" or "We") have carried out an actuarial valuation of the Zimbabwe Electricity Supply Authority (ZESA) Staff Pension Fund ("the Fund") as at 31 December 2020 ("the valuation date") in line with your request.
- 1.2 This report summarises the results of the actuarial valuation carried out on the Fund as at 31 December 2020. We have referred to all relevant (Insurance and Pensions Commission (IPEC) Guidelines in conducting this valuation, with particular attention paid to the Guideline for the insurance and pensions industry on adjusting insurance and pension values in response to currency reforms (dated 13 March 2020) in carrying out this exercise.
- 1.3 All monetary amounts in this report are denominated in Zimbabwean dollars (i.e., ZWL) unless stated otherwise.

Status of report

- 1.4 This is the final report for discussion with the Trustees. It will be finalised after discussion with the Trustees and provision of final audited financial statements.

Summary of previous valuation results

- 1.5 The Fund converted from a Defined Benefit (DB) arrangement to a Defined Contribution arrangement (DC) with effect from 1 January 2020. At 31 December 2019, a Currency Conversion Valuation had been carried out and submitted to IPEC. A Conversion valuation to convert the Fund from DB to DC was subsequently carried out as at 31 December 2019. The results of the DB to DC Conversion valuation supersede those of the Currency Conversion valuation. We have therefore relied on the results of the DB to DC Conversion valuation in tracking the change in the financial position in the year to 31 December 2020.
- 1.6 The results of the 31 December 2019 DB to DC Conversion valuation revealed that the Fund had earned revaluation gains of ZWL288.9 million. For these gains to be equitably distributed, it was determined that a factor of 1.856 be used to increase member's liabilities as at 31 December 2019.
- 1.7 It was also revealed that the Fund was not financially sound as at the conversion valuation date, as was shown by a funding level of 46.3%, after adoption of the recommendations set out in the report. This translated to a deficit of ZWL431.1 million before the distribution of revaluation gains.

ACTUARIAL REPORT: 31 DECEMBER 2020

PREPARED BY QUANTUM CONSULTANTS AND ACTUARIES (CONTINUED)

Summary of membership statistics

- 1.8 After carrying out extensive data checks and reconciliations, this valuation is based on data relating mainly to the following membership groups:
- 2 081 Paid-up Members,
 - 3 945 Pensioners in receipt of pensions from the Fund at the valuation date,
 - 597 Suspended pensioners;
 - 218 Deferred pensioners in the Fund; and
 - Data relating prior periods exits.

Contributions and Expenses

- 1.18 The Fund is closed to new members and further accrual of benefits. Therefore, all Frozen Active members became Paid-up members at the conversion date. In terms of the proposed new DC rules of the Fund, the Fund is non-contributory. We however note that, deficit reduction contributions amounting to ZWL82.4 million were paid into the Fund by the Employer, in 2020.
- 1.19 We also note that with the draft DC rules of the Fund, all expenses incurred by the Fund are to be funded from the investment earnings generated from the Fund's assets. We have therefore calculated investment returns net of both investment and normal fund administration expenses.

Financial Position

- 1.20 We have calculated the return earned by the Fund to be 463.3% over the year to 31 December 2020.
- 1.21 Equitably distributing the Fund returns to the Fund's membership, requires awarding an Interest of 463.3% for the year to 31 December 2020 and a total pension increase of 431.4%.
- 1.22 We note that prior to the completion of this valuation, the Fund had awarded pension increases of 2.5% and 200% in respect of Fund performance to 31 December 2020. We therefore recommend that allowing for the increases already awarded, the Fund awards an additional pension increase of 31.6% effective from 1 January 2021, calculated as detailed in Section 6.
- 1.23 We are aware that, the Fund awarded a pension bonus equal to 50% of February monthly pensions, to pensions in payment. We therefore, recommend that the lump sum bonus be considered as an advance payment of pension increases and be deducted from the arrear pension top-ups, arising from the back dated pension increase.

ACTUARIAL REPORT: 31 DECEMBER 2020

PREPARED BY QUANTUM CONSULTANTS AND ACTUARIES (CONTINUED)

1.24 The table below sets out the financial position of the Fund at 31 December 2020, together with comparative figures as at 31 December 2019.

	31 December 2019	31 December 2020
	Amount (ZWL)	Amount (ZWL)
Assets (a)	371 493 365	2 036 463 357
Total Liabilities (b)= (c) + (d) + (e)	802 712 503	4 390 557 390
Paid-Up Members' Account (c)	345 021 975	1 950 535 526
Frozen Actives at Conversion	345 021 975	1 950 535 526
Category 1 Pensioners' Account (d)	365 934 948	1 944 109 417
Deferred Pensioners	4 973 561	20 720 483
Pensions in payment	360 961 388	1 923 388 934
Reserve Account (e)	91 755 579	495 912 447
Suspended Pensioners	30,796,402	160 376 676
Claims O/S	3 072 064	17 305 537
AVC reserves	1 050 042	5 915 092
Unclaimed Benefits	1 709 876	8 719 036
ESC Reserves	4 354 675	24 530 735
Deferred Pensioners ER Only	837 270	4 716 506
Unexpired Pensions	5 512 948	31 055 515
Commutated Pensions	1 057 391	5 956 491
Pension Arrears Reserve	16 302 495	91 848 204
Pending Exits Actives	7 798 796	43 932 143
Pending Exits Pensioners	3 524 160	19 852 281
Data Reserve	15,739,461	81 704 233
Surplus (f) = (a)- (b)	(431 219 138)	(2 354 094 033)
Funding level (g) = (a)/(b)	46.3%	46.4%

Conclusion

1.25 We have carried out a valuation of the ZESA Staff Pension Fund as at 31 December 2020. Based on the results of this valuation we can certify that the Fund is in an unsound financial position after the equitable distribution of the investment returns (i.e. revaluation gains).

1.26 The results presented are in accordance with the IPEC Guideline on Currency Reforms dated 13 March 2020.

1.27 We recommend that the Fund moves to monthly Interest declarations in line with IPEC Circular 24 of 2020 which requires pension funds to do so.



Tinashe Mashoko

In my capacity as the:

Fund Actuary of the ZESA Staff Pension Fund

NOTICE

Notice is hereby given that the 1st Annual General Meeting of the Zimbabwe Electricity Supply Authority Staff Pension Fund (ZESA Staff Pension Fund) will be held both on virtual platform and physically in the Jacaranda Conference Room, ZESA National Training Centre, Ganges Road, Belvedere South, Harare on Friday the 18th of June 2021 at 1130 hours.

AGENDA

1. Ordinary Business

1.1 Financial Statements

To receive and adopt the audited financial statements for the year ended 31 December 2020 and the reports of the Trustees, Auditors and Actuaries thereon.

1.2 Remuneration of Trustees

To ratify the Trustee fees for the year ended 31 December 2020.

1.3 Retirement and Appointment of Trustees

1.3.1 To note the retirement of Dr. H. Murerwa with effect from 1 April 2021 and Mr J. Makumbinde and Mr. M. Zenasi, with effect from 15 April 2021.

1.3.2 To note the following appointments: Mr. D Maviva with effect from 1 April 2021, the appointment of Mr. D. N. Chiradza (re-appointment), Mr. O. Nyekete, Mr. A Mudzonga with effect from 15 April 2021.

1.3.3 To note the election of Mrs T. R Madzonga as the Fund Chairperson in line with Section 8 (a) of the Fund Rules with effect from 1 May 2021

1.4 External Auditors

1.4.1 To ratify the fees of the auditors for the past financial year.

2. Any other business

To transact any other business as may be transacted at an Annual General Meeting.

3. Meeting details

Members and pensioners will be provided with an electronic link to join the virtual meeting by the Fund Secretariat, who may be contacted through email to smapiye@zesapf.co.zw or tmunemo@zesapf.co.zw.

By order of the Board



Bright Kondo
Secretary

Appointment of Proxy

In terms of the AGM Guidelines, members who are entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak on their behalf. The proxy should be a member of the Fund. To be effective, the proxy must be lodged at the Fund's registered office at least 48 hours before the appointment time of the meeting.

[illegible]

[illegible]



**Staff Pension
Fund**

"Retirement Security. Today and Tomorrow"

Offices

4th Floor Megawatt House
44 Samora Machel Avenue
Harare