

THE ZIMBABWE ELECTRICITY SUPPLY AUTHORITY
PENSION FUND

FINANCIAL REVIEW AS AT 31 DECEMBER 2024

PREPARED BY

QUANTUM CONSULTANTS & ACTUARIES
MARCH 2025

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1. EXECUTIVE SUMMARY

To the Board Members,

- 1.1 Quantum Consultants & 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 2024 (“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 2024. We have also referred to all relevant Insurance and Pensions Commission (IPEC) Guidelines in conducting this valuation.
- 1.3 All monetary amounts in this report are denominated in Zimbabwean Gold (i.e. ZWG) unless stated otherwise.

Status of report

- 1.4 This is the final report.

Recap of April 2024 Currency Conversion Valuation

- 1.5 We conducted the previous valuation of the Fund as at 05 April 2024. The results of the 05 April 2024 valuation revealed that the Fund had earned investment returns of 268.16%. These returns were distributed to the members through a final interest declaration of 268.16% and a top-up pension increase of 627.5%.
- 1.6 We carried out a valuation as at 5 April 2024 on a defined benefit basis. The main objective of the valuation was to determine the Fund’s deficit as at that date, excluding the Employer debt from the Fund’s assets. This was in line with a legal opinion that was issued, requiring such a valuation to take place, and to have the deficit stated in United States Dollars.
- 1.7 The valuation was carried out considering a few scenarios. The Employer and the Fund agreed to settle on the value of the deficit amounting to US\$104.65 million, representing a funding level of 25.1%. This value has been adopted as at the current review date, net of payments made

by the Employer up to 31 December 2024 as the Employer's obligation and an asset of the Fund.

- 1.8 Further details of the DB valuation as at 5 April 2024 are contained in a separate report that was shared with the Board of Fund and the Employer.

Key Inter-valuation Events

- 1.9 Over the period, the following ZWG and USD lump sum amounts have been granted to pensioners. We have treated these as an advance distribution of the Fund's investment return.

Month	Cost of ZWG Lump sum (ZWG)	Cost of ZWG Lump sum (ZWG)
April	1 591 615	1 841 937
May	1 432 454	1 713 002
June	1 284 675	2 577
July	1 841 642	2 143 004
Aug	1 872 384	46 375
Sep	2 051 941	2 284 812
Oct	1 897 277	
Nov	1 888 203	65 620
Dec	1 884 783	4 069 684
Total (ZWG)	15 744 973	12 167 011

- 1.10 The following criteria has been applied in determining the lump sum awards for pensioners.

	Cost of ZWG Lump sum (ZWG)	Cost of ZWG Lump sum (ZWG)
Apr-Sept 2024	100% of monthly pension	USD equivalent of monthly pension (at the RBZ rate) round-up to the nearest multiple of USD 10, subject to the following minimum thresholds: -USD 30 for principal pensioners and USD 20 for spouse beneficiaries
Oct-Dec 2024	54.2% of monthly pension	Same as above

- 1.11 However, we advise the Board to consider the Fund's liquidity position when granting lump sum amounts.

- 1.12 In October 2024, the Fund granted an 84.5% increase to pensions in payment, which we have considered an advance distribution of investment returns.

Market Overview

- 1.13 The ZSE All Share index was rebased to 100 as at 5 April 2024, in light of the currency change to ZWG. The index increased to 217.58 as at December 2024 reflecting a 117.58% growth in the index.
- 1.14 CPI was also rebased to 100 basis points as at 5 April 2024, in light of the currency change to ZWG. The index increased to 166.30, as at 31 December 2024 implying inflation of 66.30% over the period.
- 1.15 The ZWG since its introduction has suffered significant value erosion as its opening exchange rate of ZWG 13.5616: USD1 moved to ZWG 25.7985: USD1 by 31 December 2024. This represents a 90.23% loss of value.

Over the inter-valuation period the following circulars were issued:

Document	Issue Date	Content
Circular 8 of 2024	10 May 2024	Guideline on 2024 Currency Changes
Circular 11 of 2024	27 June 2024	Amendments to Guideline on 2024 Currency Changes
Circular 12 of 2024	02 July 2024	Guideline on Conduct of Annual General Meetings
Circular 19 of 2024	14 November 2024	Amendment to Risk Management and Corporate Governance Guidelines for Pension Funds
Circular 23 of 2024	12 December 2024	Implementation Plan for the Zimbabwe Mortality Tables: Key Requirements and Timelines
Circular 26 of 2024	12 December 2024	Issuance of a Draft Market Conduct Framework for the Insurance and Pensions Industry

Key Assumptions

- 1.16 The key assumptions for valuing pensioner liabilities used in carrying out this valuation have been maintained as those used in the Fund's actuarial valuations post 2017. We believe that the long-term outlook for the Fund experience and economy has not changed sufficiently since the last valuation date to warrant a change in assumptions.

Fair and Equitable Treatment of Pension Fund Members

- 1.17 The primary objective of the currency conversion guideline of 2024 as stated in Clause 14.1(b) is to ensure that *“Conversion of member or beneficiary benefits from ZWL to ZWG should not result in generational transfer of assets from older to newer members of the Fund and should be done fairly without prejudice to different members of the Fund.”*

Summary of Membership Statistics

- 1.18 This valuation is based on data relating mainly to the following membership groups:

Year Ending	Frozen Active Members	Deferred Pensioners	Current Pensioners	Suspended Pensioners
31-Dec-21	2 052	214	3 991	471
31-Dec-22	2 050	210	3 465	953
31-Dec-23	2 013	206	3 696	123
05-Apr-24	2 013	206	3 696	-
31 Dec-24	2 007	204	3 656	771
Change (2021-2024)	(45)	(10)	(335)	(300)

- 1.19 The number of members with unclaimed amounts was 157 as at 31 December 2024.

Assets

- 1.20 The financial statements provided showed that the value of assets amounted to ZWG 3.69 billion at the valuation date. A split of the assets invested in each investment class at 31 December 2024 with comparative figures at the conversion valuation date , is summarized in the table below:

Category	05 April 2024		31 December 2024	
	Amount (ZWG)	Proportion of net assets	Amount (ZWG)	Proportion of net assets
Fixed Property	395 670 993	89.1%	953 624 181	26%
Ordinary Shares	36 046 814	8.1%	81 431 511	2%
Money Market	-	0.0%	2 372 895	0%
Actuarial Deficit – Loan	10 034 512	2.3%	2 470 223 272	67%
Cash on hand and at Bank	5 403 162	1.2%	-	-
Operating Assets	61 394	0.0%	154 580	0%
Current Assets	1 569 085	0.4%	192 520 001	5%
Current Liabilities	(4 597 976)	-1.0%	(9 998 616)	0%
Net Assets	444 187 984	100%	3 690 327 826	100.0%

- 1.21 The Fund earned a return of 772.74% over the period since the Conversion Date compared to the ZSE All Share Index growth of 117.58%. Hence the Fund’s assets performed comparably better than the ZSE counters as a whole over the financial period under review.

- 1.22 The deficit loan constitutes the highest proportion of Fund assets at 67%, with the next highest being property at 26%. Together they account for 93% of the Fund's assets. Given the illiquid nature of these assets, the Board is advised to take this into consideration when awarding pension increases and lump sum disbursements.
- 1.23 The deficit loan was locked in at the US\$ value on the 5th of April 2024, being converted to ZWG at each future valuation date net of any payments made towards it by the Employer. This will guard the value of the Fund's main asset against value erosion, protecting member benefits.

Contributions and Expenses

- 1.24 The Fund is closed to new members and further accrual of benefits. In terms of the DC rules of the Fund, the Fund is non-contributory.
- 1.25 We also note that with the rules of the Fund, all expenses incurred by the Fund are to be funded from the investment earnings generated from the Fund's assets.
- 1.26 The operating expenses over the inter-valuation period were ZWG 11.03 million. The expenses were 0.3% of the average Fund assets over the inter-valuation period. The administration expenses for the period totalled ZWG 2.36 million, representing 0.06%, while the Board expenses amounted to ZWG 789,959, or 0.02% of the Fund's assets.
- 1.27 As per the IPEC Expense Framework of 2022, the thresholds for inactive Funds are set at 0.61% for administration and board expenses, based on the Fund's assets. Total expenses were 0.38% of assets. As a result, the Fund is compliant with the Expense Framework.

Financial Position

- 1.28 The Fund's assets amounted to ZWG 3.69 billion at the review date whereas that of Fund liabilities amount to ZWG 675.30 million. Therefore, the Fund was in a financially sound position, with a surplus of ZWG 3.02 billion. This translated to a Funding level of 546.48%.
- 1.29 To distribute the investment return, we recommend applying a bonus rate of 772.74% to the accumulated balances of paid-up actives and to increase the reserves at a rate of 772.74%. We have kept a data reserve amounting to 2% of the Fund assets.

1.30 We observe that, during the inter-valuation period, the Fund granted an interim pension increase of 84.5% and paid discretionary lump sum amounts totalling ZWG 27.91 million. To ensure the full distribution of the investment return to the pensioners, we recommend a **maximum additional pension increase of up to 352.09%** subject to availability of liquidity.

1.31 The table below sets out the financial position of the Fund at 31 December 2024, together with comparative figures as at 5 April 2024.

	5 April 2024		31 December 2024	
Category	Before Interest (ZWG)	After Interest (ZWG)	Before Interest (ZWG)	After Interest (ZWG)
Net Assets	444 187 984	444 187 984	3 690 327 824	3 690 327 824
Total Liability (b= c + d + e)	219 237 641	431 232 490	675 296 371	3 610 631 618
Accrued Actuarial Liabilities (c)	205 010 779	378 855 465	577 358 071	3 326 216 611
Paid-up actives	46 414 599	170 878 061	170 218 310	1 485 570 833
Deferred Pensioners	3 677 049	4 821 952	9 360 192	42 316 666
Pensioners	154 919 131	203 155 452	397 779 569	1 798 329 112
Outstanding Payments (d)	9 423 152	34 691 888	18 248 642	159 264 010
Pending Exits	766 880	2 823 314	1 177 509	10 276 647
Commuted Pensions	45 010	165 707	165 707	1 446 199
Deferred Pension ER Only	231 225	851 268	848 423	7 404 567
Unexpired Pensions	1 528 448	5 627 073	5 451 376	47 576 580
Arrear pension benefits	4 052 797	14 920 611	323 987	2 827 579
Outstanding Claims	851 721	3 135 659	3 113 382	27 171 870
Additional voluntary contributions	291 121	1 071 779	1 071 779	9 353 892
Unclaimed Benefits	448 630	1 651 657	1 651 657	14 414 741
ESC	1 207 321	4 444 822	4 444 822	38 791 937
Reserves (e)	4 803 709	17 685 136	26,183,304	35,068,103
Exits Revaluation Gains Reserve	1 597 989	5 883 092	5 883 101	51 344 440
Data Reserve	3 205 720	11 802 044	73 806 556	73 806 556
Surplus (f = a- b)	224 950 342	12 955 494	3 015 031 453	79 696 209
Funding level (j = a/b)	202.6%	103.0%	546.48%	102.21%

1.32 We have also evaluated the Fund's financial position using the Zim-mortality tables, in line with the requirements of Circular 23 of 2024. Since the Fund is a Defined Contribution scheme with pensioners, the change in the mortality tables impacts only the Pensioners' liability.

1.33 We have performed the Pensioners' liability calculations as of the valuation date using the Zim-mortality tables. Below is a summary of the results, along with the comparative figures based on the old mortality tables before applying the pension increases:

	Liability using old mortality tables	Liability using Zim-mortality tables	Change
Deferred Pensioners	9 360 192	11 269 573	1 909 381
Pensions in Payment	397 779 569	492 456 794	94 677 225
Total Pension Liabilities	407 139 761	503 726 367	96 586 607
Total Fund liabilities (b)	675 296 371	771 882 978	96 586 607
Total Fund Assets (a)	3 690 327 824	3 690 327 824	-
Surplus (c = a-b)	3 015 031 453	2 918 444 847	-96 586 607
Funding level (d = a/b)	546.48%	478.09%	-68.38%

1.34 Using the Zim mortality tables, the Fund's liabilities have risen to ZWG 771.88 million, compared to assets of ZWG 3.69 billion. This has led to a surplus of ZWG 2.92 billion, reflecting a financially sound position with a funding level of 478.09%.

1.35 This reflects a decrease in the surplus of ZWG 96.59 million as of the review date, primarily due to the change in mortality tables, with the overall funding level falling by 68.38%.

1.36 We recommend that the Fund carries out a mortality investigation to assess the extent to which the current and proposed mortality tables relate to the mortality experience of the Fund.

1.37 We recommend that the investigation be carried out as at 31 December 2025, covering a period of 5 years.

Conclusion

1.38 Overall, the Fund was in a financially sound position as at 31 December 2024.

1.39 A summary of all our recommendations is outlined in **Section 10** of the report.

1.40 We have set out the required certifications in **Appendix VI**.

2. INTRODUCTION

- 2.1 We refer to your request that African Actuarial Consultant (“AAC” or “We”) carries out a valuation of the Zimbabwe Electricity Supply Authority (ZESA) Staff Pension Fund (“the Fund”) as at 31 December 2024 in line with IPEC Guidelines, as well Government of Zimbabwe (“GOZ”) issued Statutory Instruments.
- 2.2 This is the final report.

Addressee

- 2.3 This report is addressed to the Board of the Fund and may be made available to the Fund sponsor. This report and its contents are confidential and may not be used for any other purpose except the purposes outlined in the report.

Summary of Fund Benefit Structure

- 2.4 The Fund is a self-administered defined contribution arrangement, with effect from 1 January 2020. Deferred pensioners and pensions in payment as at the date of conversion from a DB arrangement, remain as such with the applicable provisions of the old rules remaining in place for the pensioners.
- 2.5 The benefits for deferred pensioners were maintained in their DB format as pensions entitled to pension increases, with the pension increases being what can be afforded from the future investment earnings. There was no prejudice to deferred pensioners in maintaining them as such.
- 2.6 The benefit on exit for active members is based on the member’s Fund Credit. This is composed of the conversion value increased with returns earned on Fund assets and any other proportionate allocations or adjustments which may be required at the advice of the Actuary and as agreed by the Board from time to time.
- 2.7 The allocated returns are the returns generally reflecting the investment earnings on Fund assets less investment and Fund administration expenses as determined by Board after consultation with the Actuary.

Purpose

2.8 The purpose of this valuation is to:

- i. place a value on the liabilities and assets of the Fund;
- ii. assess the financial position of the Fund by comparing the available assets to liabilities;
- iii. recommend a final return and pension increase for the period ending 31 December 2024; and
- iv. comment on any other issues pertinent to the Fund.

Professional Issues

2.9 This report has been prepared in accordance with the Actuarial Professional Standards (APSs) issued by the Institute and Faculty of Actuaries and the Technical Actuarial Standards (TAS) issued by the Financial Reporting Council current at the date of signing this report. These standards set out the minimum requirements of an actuarial valuation report to meet the standards of the actuarial profession.

2.10 This report has considered SAP 201 issued by the Actuarial Society of South Africa, except that as this Fund is not registered in South Africa, certain aspects not relevant to the Fund have been excluded.

2.11 This report further complies with guidelines set by the IPEC Commissioner in Circular No. 7 of 2014, the currency conversion guideline of 2024 and the currency reform guidelines issued in March 2020 and updated in May 2021.

2.12 This report has been peer reviewed internally. We are aware that the report may be further peer reviewed by an independent Actuary.

Currency and Limitations

2.13 Amounts stated in this report are denominated in Zimbabwe Gold (ZWG) unless stated otherwise.

2.14 The results of the valuation are an estimate of the cost of the benefits, which the Fund provides, based on assumptions regarding the future of the Fund, and does not influence the actual cost of the benefits. It is the experience of the Fund that will determine the actual cost.

3. BACKGROUND TO THE FUND

Fund Conversion

- 3.1 The Fund converted from a Defined Benefit (DB) arrangement to a Defined Contribution (DC) arrangement with effect from 1 January 2020. The Conversion was approved by IPEC on 16 June 2022.
- 3.2 On Conversion from DB to DC, the ZESA Holdings resolved to adopt the deficit at Conversion as a debt to the Fund. The debt would accrue interest at Bank overdraft interest rates. We were advised that the debt adoption and conditions were agreed to by the Board of the Fund and approved by IPEC.
- 3.3 The Employer failed to make timely repayments of this debt in line with the agreed terms of the Deed of Settlement. The value of the debt was eventually eroded in value due to high levels of inflation, resulting in a loss in Fund value. It is on this background that negotiations between the Employer and the Fund have culminated in the request to carry out the Fund's valuation as at 5 April 2024 on a defined benefit basis.
- 3.4 The request is in line with the legal opinion issued by Muvingi and Mugadza Legal Practitioners to the sponsoring Employer, ZESA Holdings. In section 6.1.2 of the opinion, they recommended that

“Both parties should engage a qualified actuary to undertake a comprehensive actuarial deficit valuation. This valuation should be conducted in United States Dollars (USD) as of the date of the currency change (5 April 2024), in accordance with the requirements set forth by the relevant legal provisions, including Section 48 of the Pension and Provident Funds Act. The actuary will assess the true value of the deficit, ensuring that the calculation is accurate and reflects the current economic conditions.”

- 3.5 The legal opinion was adopted by the ZESA Holdings Finance Committee.

Pension Increases

- 3.6 Over the period, the following ZWG and USD lump sum amounts have been granted to pensioners. We have treated these as an advance distribution of the Fund's investment return and have adjusted the cost accordingly.

Month	Cost of ZWG Lump sum (ZWG)	Cost of ZWG Lump sum (ZWG)
April	1 591 615	1 841 937
May	1 432 454	1 713 002
June	1 284 675	2 577
July	1 841 642	2 143 004
Aug	1 872 384	46 375
Sep	2 051 941	2 284 812
Oct	1 897 277	
Nov	1 888 203	65 620
Dec	1 884 783	4 069 684
TOTAL (ZWG)	15 744 973	12 167 011

3.7 The following criteria have been applied in determining the lump sum awards for pensioners.

	Cost of ZWG Lump Sum	Cost of ZWG Lump Sum
Apr-Sept 2024	100% of monthly pension	USD equivalent of monthly pension (at the RBZ rate) round-up to the nearest multiple of USD 10, subject to the following minimum thresholds: -USD 30 for principal pensioners and USD 20 for spouse beneficiaries
Oct-Dec 2024	54.2% of monthly pension	Same as above

3.8 In October, the Fund granted an 84.5% increase to pensions in payment, which we have considered an advance distribution of investment returns.

Market Overview

3.9 The ZSE All Share index was rebased to 100 as at 5 April 2024. The index increased to 217.58 as at December 2024 reflecting a 117.58% growth in the index.

3.10 CPI was also rebased to 100 basis points as at 5 April 2024, in light of the currency change to ZWG. The index increased to 166.30, as at 31 December 2024 implying inflation of 66.30% over the period.

3.11 The ZWG since its introduction has suffered significant value erosion as its opening exchange rate of ZWG 13.5616: USD1 moved to ZWG 25.7985: USD1 by 31 December 2024. This represents a 90.23% loss of value.

3.12 Over the inter-valuation period the following circulars were issued:

Document	Issue Date	Content
Circular 8 of 2024	10 May 2024	Guideline on 2024 Currency Changes
Circular 11 of 2024	27 June 2024	Amendments to Guideline on 2024 Currency Changes
Circular 12 of 2024	02 July 2024	Guideline on Conduct of Annual General Meetings
Circular 19 of 2024	14 November 2024	Amendment to Risk Management and Corporate Governance Guidelines for Pension Funds
Circular 23 of 2024	12 December 2024	Implementation Plan for the Zimbabwe Mortality Tables: Key Requirements and Timelines
Circular 26 of 2024	12 December 2024	Issuance of a Draft Market Conduct Framework for the Insurance and Pensions Industry

Rule Amendments and Ex-gratia payments

3.13 A summary of the DC Fund rules is set out in **Appendix III**. We have not been notified of any amendments to the rules during the inter-valuation period.

4. MEMBERSHIP DATA

- 4.1 The data required for the valuation has been obtained from records maintained by the Fund.
- 4.2 We were provided with details relating to the following:
- i. Members' Accumulated Credits as 31 December 2024;
 - ii. Deferred Pensions as at 31 December 2024; and
 - iii. Suspended Pensioners as at 31 December 2024; and
 - iv. Pensions in payment as at 31 December 2024.
- 4.3 The data was checked for reasonability. We have set out in **Appendix I** summary details of the data checks performed.
- 4.4 The accuracy of any values quoted in this report and the conclusions reached are limited to the accuracy of the underlying data and information (listed above) on which this report is based. Should this data be any different from the actual membership and asset position of the Fund this valuation may need to be re-done.
- 4.5 While data checks are performed for the purposes of this valuation the final accountability for the accuracy of the Fund's data resides with the Board and the Fund Management.
- 4.6 A summary of the membership data on which this valuation has been based together with statistics derived from this data is set out in the section below.

Key membership statistics

- 4.7 The following tables summarize the membership data provided at the current and previous valuation dates:

Year Ending	Frozen Active Members	Deferred Pensioners	Current Pensioners	Suspended Pensioners
31-Dec-21	2 052	214	3 991	471
31-Dec-22	2 050	210	3 465	953
31-Dec-23	2 013	206	3 696	123
05-Apr-24	2 013	206	3 696	-
31 Dec-24	2 007	204	3 656	771
Change (2021-2024)	(45)	(10)	(335)	(300)

4.8 The table below further summarises the breakdown of the membership:

Membership Summary			
	5 April 2024	31 December 2024	Change
Actives			
Number	2 013	2 007	-6
Average Age	53.7	54.4	0.7
Average term to retirement	6.5	5.9	-0.6
Deferred Pensions			
Number	206	204	-2
Pension weighted average age	55.7	56	0.3
Total Pensions (ZWG)	542 095	995 411	83.6%
Average Pensions (ZWG)	2 632	4 683	77.9%
Pensions in Payment			
Number	3 696	3 656	-40
Pension weighted average age	63.4	63.7	0.3
Total Pensions (ZWG)	21 824 627	41 189 434	88.7%
Average Pensions (ZWG)	5 905	11 266	90.8%
Suspended Pensioners			
Number	-	771	771
Pension weighted average age	-	57.0	57.0
Total Pensions (ZWG)	-	1 766 473	100%
Average Pensions (ZWG)	-	2 291	100%

4.9 The number of members with unclaimed amounts was 157 as at 31 December 2024.

4.10 We conducted data checks, communicated all queries to the administrator, and ensured they were resolved. The calculations and recommendations in this report are based on the data provided and certified by the administrator to be correct and accurate. Should significant changes be made to the data, then our calculations would have to be revised.

5. ASSETS

- 5.1 The objective of the valuation of a pension Fund's assets for comparison with the Fund's accrued liabilities is to place a value on the assets, which represents an assessment of the underlying long-term value of assets that is consistent with the principles used in placing a value on the Fund's liabilities.
- 5.2 We were provided with financial statements for the period from 05 April 2024 to 31 December 2024. We have relied on the accuracy of these financial statements in stating the market value of Fund assets held at the valuation date.
- 5.3 In carrying out this exercise, we have assumed that the market value of assets recorded in the financial statements represents the fair value of these assets as at 31 December 2024.

Employer Debt

- 5.4 The deficit loan was locked in at the US\$ value on the 5th of April 2024, being converted to ZWG at each future valuation date net of any payments made towards it by the Employer. This will guard the value of the Fund's main asset against value erosion, protecting member benefits.

Investment Allocation

- 5.5 The deficit loan constitutes the highest proportion of Fund assets at 67%, with the next highest being property at 26%. Together they account for 93% of the Fund's assets. Given the illiquid nature of these assets, the Board is advised to take this into consideration when awarding pension increases and lump sum disbursements.
- 5.6 The financial statements provided showed that the value of assets amounted to ZWG 3.69 billion at the valuation date. A split of the assets invested in each investment class with comparative figures at the conversion valuation date, is summarized in the table below:

Category	05 April 2024		31 December 2024	
	Amount (ZWG)	Proportion of net assets	Amount (ZWG)	Proportion of net assets
Fixed Property	395 670 993	89.1%	953 624 181	26%
Ordinary Shares	36 046 814	8.1%	81 431 511	2%
Money Market	-	0.0%	2 372 895	0%
Actuarial Deficit – Loan	10 034 512	2.3%	2 470 223 272	67%
Cash on hand and at Bank	5 403 162	1.2%	-	-
Operating Assets	61 394	0.0%	154 580	0%
Current Assets	1 569 085	0.4%	192 520 001	5%
Current Liabilities	(4 597 976)	-1.0%	(9 998 616)	0%
Net Assets	444 187 984	100%	3 690 327 826	100.0%

5.7 A Consolidated Revenue Account of the assets held by the Fund is shown in **Appendix II**.

5.8 The Fund earned a return of 772.74% over the period since the Conversion Date compared to the ZSE All Share Index growth of 118%. Hence the Fund's assets performed comparably better than the ZSE counters as a whole over the financial period under review.

5.9 The investment return is mainly driven by the revaluation gains on Fund assets.

5.10 IPEC Circular 2 of 2022 sets the maximum investment with regard to each asset class as follows:

- Quoted equity Investments 60%
- Unquoted equity investments 15%
- Property investments 40%
- Prescribed Assets 40%
- Money market and Cash 20%
- Foreign Investments 15%
- Other investments 5%
- Bonds/Stocks+ Property investments 75%

5.11 IPEC issued out Circular 1 of 2019 which calls for pension Funds to invest a minimum 20% in prescribed asset. The Board ought to consider this piece of regulation in reviewing the Fund's asset mix.

Contributions and Expenses

- 5.12 The Fund is closed to new members and further accrual of benefits. In terms of the DC rules of the Fund, the Fund is non-contributory.
- 5.13 The operating expenses over the inter-valuation period were ZWG 11.03 million. The expenses were 0.30% the average Fund assets over the inter-valuation period. The administration expenses for the period totalled ZWG 2.36 million, representing 0.06%, while the Board expenses amounted to ZWG 789,959, or 0.02% of the Fund's assets.
- 5.14 As per the IPEC Expense Framework of 2022, the thresholds for inactive Funds are set at 0.61% for administration and board expenses, based on the Fund's assets. Total expenses were 0.38% of assets. As a result, the Fund is compliant with the Expense Framework.

6. VALUATION METHOD AND BASIS

Liability Valuation Method

- 6.1 We have relied on the 05 April 2024 closing accumulations to obtain the opening values for the Fund's membership as at 06 April 2024.
- 6.2 In cases of members who have already been paid during the year, the balance due to them has been determined by deducting the amount paid out - adjusted with final returns from the expected Fund Credit at year end, had the members not been paid out.
- 6.3 This method was also applied when determining the value of Fund reserves that had been held over the course of the same period.
- 6.4 Deferred Pensioners and Pensions in Payment liabilities were determined as the discounted value of the expected future payments to the members allowing for investment returns and pensions increases detailed below:

Valuation Basis

- 6.5 The table below summarizes the assumptions used for this exercise:

Assumption	05 April 2024	31 December 2024
Investment Return	7%	7%
Pension Increase Rate	1%	1%
Post-Retirement Mortality Rates	a(55) ULT	a(55) ULT
Assumed age difference (M – F)	3 years	3 years

- 6.6 It should be noted that it is the relative levels of the investment return and salary escalation rate to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.
- 6.7 The old rules set the pensionable age at 60 years, while the DC registered rules require Category II pensioners to adhere to a pensionable age of 65. Additionally, the rules specify a 5-year guarantee period for pensions received and a spouse's entitlement of 50% of the main member's pre-commutation pension.

- 6.8 In the event that Fund members have dependent children, we have assumed that benefits will be provided to these children and orphans up to the age of 21. According to the rules, a child beneficiary's age limit is 18 years, with an extension to 23 years if they are pursuing tertiary education.
- 6.9 We have found this assumption to be appropriate, as it neither overestimates nor underestimates the reserve required for children's benefits.

Compliance with Guidelines

- 6.10 We have conducted this valuation in line with the Currency Conversion Guideline, which mandates that the half-year valuation for 2024 be carried out.
- 6.11 We have ensured that the distribution of investment earnings, is equitable and fair to all members of the Fund. This was done by declaring the overall earned Fund returns to members' Fund Credits and all the DC liabilities.
- 6.12 Deferred pensioners, pensions in payment and suspended pensioner were awarded pension increase that can be afforded from the earned returns allowing for the cost of Funding per the valuation assumptions.

Fair and Equitable Treatment of Pension Fund Members

- 6.13 The primary objective of the currency conversion guideline of 2024 as stated in Clause 14.1(b) is to ensure that *“Conversion of member or beneficiary benefits from ZWL to ZWG should not result in generational transfer of assets from older to newer members of the Fund and should be done fairly without prejudice to different members of the Fund.”*

7. LIABILITIES

Paid-up Members' Account

7.1 In terms of the rules of DC scheme this is an account for the accrual of Paid-Up Members' Fund Credits.

7.2 The account shall be:

- Credited with:
 - Conversion values of Paid-up members at Conversion Date;
 - Interest allocated based on the investment earnings of the Fund, at the advice of the Actuary and subject to Board approval; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.
- Debited with:
 - Payments to paid up members on exiting from the Fund or retiring; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.

7.3 The Fund earned investment returns of 151.02% over the period to 31 December 2024. We have therefore credited all individual members' Fund Credit with an Interest of 151.02% An Interest declaration equal to the actual returns earned represents the Paid-up members' full entitlement to the investment earnings (i.e. revaluation gains per IPEC).

Category 1 Pensioners' Account

7.4 In terms of the registered rules of the DC scheme, this is the account within the Fund where assets backing liabilities for members who retired before the Conversion Date including deferred pensioners are credited and their pension payments are debited. The account shall be:

- Credited with:
 - Deferred pensioners' and Pensions in payments' liabilities at Conversion Date;
 - Investment earnings on the assets backing the Category I pensioners' liabilities, at the advice of the Actuary and subject to Board approval; and

- Any other adjustments which may be recommended by the Actuary and subject to Board approval.
- Debited with:
 - Monthly pensions paid to pensioners;
 - Lump sum commutations of pensions; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.

8. RESERVE ACCOUNT

- 8.1 This is the account created for the purposes of accounting for any reserves and provisions set up at, at the advice of the Actuary, as discussed below.
- 8.2 We recommend that the Fund Management trace and pay the members whose benefits have been provided for in the Reserves or explicitly as provisions.

ESC Residual Dividend Distribution Amount Reserve (ESC Reserve)

- 8.3 This reserve was calculated as the accumulated value of residual dividend distributions for the ESC Staff Pension Fund. We have been informed that these dividends came through after the ESC Fund had been wound up and that the ZESA Staff Pension Fund provided a conduit to enable their payment.

AVC Reserve

- 8.4 This is the equivalent ZWG amount of the accumulated Additional Voluntary contributions, at Conversion date, for members who made AVCs into the Fund in the past.

Commuted Pensions

- 8.5 This reserve caters for the liability of Members who had commuted pensions before December 2008 but did not cash in their cheques up to the time of carrying out this valuation.

Unclaimed Benefits Reserve

- 8.6 This reserve caters for the liability of Members who have outstanding benefits, remaining unclaimed within the Fund. According to IPEC, unclaimed benefits should be transferred to the Guardian Fund. However, the Fund has not yet done so due to ongoing liquidity challenges.

Data Reserve

- 8.7 At the DB to DC conversion, we recommended the creation of a Data Reserve equal to 2% of the liabilities at the Conversion date, as a way of mitigating the risk of possible errors in the valuation data. We have kept a data reserve amounting to 2% of the Fund Assets.

9. FINANCIAL POSITION AS AT 31 DECEMBER 2024

Financial Position

9.1 The Fund's financial position as at 31 December 2024 in respect of liabilities accrued over the inter - valuation period (5 April 2024 to 31 December 2024), assessed by reference to the method and assumptions described in **Section 6**, and allowing for the declared Interest and pension increases can be summarized as follows:

Category	5 April 2024		31 December 2024	
	Before Interest (ZWG)	After Interest (ZWG)	Before Interest (ZWG)	After Interest (ZWG)
Net Assets	444 187 984	444 187 984	3 690 327 824	3 690 327 824
Total Liability (b= c + d + e)	219 237 641	431 232 490	675 296 371	3 610 631 618
Accrued Actuarial Liabilities (c)	205 010 779	378 855 465	577 358 071	3 326 216 611
Paid-up actives	46 414 599	170 878 061	170 218 310	1 485 570 833
Deferred Pensioners	3 677 049	4 821 952	9 360 192	42 316 666
Pensioners	154 919 131	203 155 452	397 779 569	1 798 329 112
Outstanding Payments (d)	9 423 152	34 691 888	18 248 642	159 264 010
Pending Exits	766 880	2 823 314	1 177 509	10 276 647
Commutated Pensions	45 010	165 707	165 707	1 446 199
Deferred Pension ER Only	231 225	851 268	848 423	7 404 567
Unexpired Pensions	1 528 448	5 627 073	5 451 376	47 576 580
Arrear pension benefits	4 052 797	14 920 611	323 987	2 827 579
Outstanding Claims	851 721	3 135 659	3 113 382	27 171 870
Additional voluntary contributions	291 121	1 071 779	1 071 779	9 353 892
Unclaimed Benefits	448 630	1 651 657	1 651 657	14 414 741
ESC	1 207 321	4 444 822	4 444 822	38 791 937
Reserves (e)	4 803 709	17 685 136	26,183,304	35,068,103
Exits Revaluation Gains Reserve	1 597 989	5 883 092	5 883 101	51 344 440
Data Reserve	3 205 720	11 802 044	73 806 556	73 806 556
Surplus (f = a- b)	224 950 342	12 955 494	3 015 031 453	79 696 209
Funding level (j = a/b)	202.6%	103.0%	546.48%	102.21%

9.2 The Fund's assets amounted to ZWG 3.69 billion at the review date whereas that of Fund liabilities amount to ZWG 3.61 billion. Therefore, the Fund was in a financially sound position, with a surplus of ZWG 79.70 million. This translated to a Funding level of 102.21%.

- 9.3 To distribute the investment return, we recommend applying a bonus rate of 772.74% to the accumulated balances of paid-up actives and to increase the reserves at a rate of 772.74%. Please note that we have kept a data reserve amounting to 2% of the Fund Assets.
- 9.4 We observe that, during the inter-valuation period, the Fund granted an interim pension increase of 84.5% and paid discretionary lump sum amounts totalling ZWG 27.91 million. To ensure the full distribution of the investment return to the pensioners, we recommend **an additional pension increase of up to 352.09%** subject to availability of liquidity.

Analysis of Surplus

- 9.5 The table below sets out an analysis of the change in the financial position from 05 April 2024 to 31 December 2024.

Analysis of Surplus	
Description	ZWG
Surplus at beginning of period	12 955 515
Adjustment	(36)
Net Investment returns	3 246 139 878
Pension Increase	-175 492 324
Release of Reserves for the Paid Members	16 443 302
Transfer of Surplus to Data Reserve	-62 004 512
Interest on surplus	906 886
Miscellaneous	-23 917 233
Surplus at the end of the period	3 015 031 453

Zim-mortality Tables Assessment

- 9.6 We have also evaluated the Fund's financial position using the Zim mortality tables, in line with the requirements of Circular 23 of 2024. Since the Fund is a Defined Contribution scheme with pensioners, the change in the mortality tables impacts only the Pensioners' liability.
- 9.7 Since the Fund is a Defined Contribution scheme with pensioners, the change in the mortality tables impacts only the Pensioners' liability. We have performed the Pensioners' liability calculations as of the valuation date using the Zim-mortality tables. Below is a summary of the results, along with the comparative figures based on the old mortality tables before applying the pension increases:

	Liability using old mortality tables	Liability using Zim-mortality tables	Change
Deferred Pensioners	9 360 192	11 269 573	1 909 381
Pensions in Payment	397 779 569	492 456 794	94 677 225
Total Pension Liabilities	407 139 761	503 726 367	96 586 607
Total Fund liabilities (b)	675 296 371	771 882 978	96 586 607
Total Fund Assets (a)	3 690 327 824	3 690 327 824	-
Surplus (c = a-b)	3 015 031 453	2 918 444 847	-96 586 607
Funding level (d = a/b)	546.48%	478.09%	-68.38%

- 9.8 Using the Zim mortality tables, the Fund's liabilities total ZWG 771.88 million, against assets of ZWG 3.69 billion, leading to a surplus of ZWG 2.92 billion. This indicates a financially sound position with a funding level of 478.09%.
- 9.9 This represents a reduction in the surplus of ZWG 96.59 million as of the review date, compared to the surplus based on the old mortality tables. The decrease is mainly attributed to the change in mortality tables, resulting in a 68.38% drop in the overall funding level.
- 9.10 We recommend that the Fund carries out a mortality investigation to assess the extent to which the current and proposed mortality tables relate to the mortality experience of the Fund.
- 9.11 We recommend that the investigation be carried out as at 31 December 2025, covering a period of 5 years.

10. CONCLUSIONS AND RECOMMENDATIONS

- 10.1 The value of the Fund's accrued liabilities at 31 December 2024, after implementing our recommendations is ZWG 3.61 billion, whereas the value of Fund assets amounted to ZWG 3.69 billion. The valuation, therefore, disclosed a surplus of ZWG 79.70 million.
- 10.2 The accrued funding level, that is, the ratio of the Fund's assets to that of its accrued liabilities, is 102.21% compared to 103.0% as at 05 April 2024.
- 10.3 We certify that the Fund was in a sound financial position as at 31 December 2024 in terms of Section 37(4) of the Pension and Provident Scheme Regulations 1991.
- 10.4 The operating expenses over the inter-valuation period were ZWG 11.03 million. The expenses were 0.30% the average Fund assets over the inter-valuation period. The administration expenses for the period totalled ZWG 2.36 million, representing 0.06%, while the Board expenses amounted to ZWG 789,959, or 0.02% of the Fund's assets.
- 10.5 Using the Zim mortality tables, the Fund's liabilities total ZWG 771.88 million, while assets stand at ZWG 3.69 billion, leading to a surplus of ZWG 2.92 billion and a funding level of 478.09%.
- 10.6 However, this surplus has fallen by ZWG 96.59 million compared to the surplus under the old mortality tables. We recommend that the Fund Management develop an implementation strategy, as required by IPEC, for adopting the Zim-mortality tables.
- 10.7 We recommend that:
- The Board award interest of **772.74%** to Paid-up Members' Fund Credits;
 - The Board award interest of **772.74%** to Reserve Account balances;
 - The Board maintain a data reserve that is equivalent to 2% of the Fund assets;
 - The Board an **additional pension increase of up to 352.09%** to all pensioners at 31 December 2024
 - The Board take the necessary steps to bring the Fund to ensure compliance with the Asset allocation per IPEC Circular 2 of 2022; and

- The Board ensures implementation of a strategy, as required by IPEC, for adopting the Zim-mortality tables.

Tinashe Mashoko FASSA FIA
Consulting Actuary
Quantum Consultants and Actuaries

Shingai Kuwaza
Senior Actuarial Consultant
Quantum Consultants & Actuaries

APPENDIX I: DATA CHECKS

The data checks that were performed at the conversion date are outlined below:

1. We checked all the data for consistency with that used for the conversion valuation.
2. For each pensioner in the data received we checked for consistency of dates of birth, gender and monthly pensions. We then performed the following reasonability checks:
 - Dates are valid;
 - Dates are in logical order, and consistent;
 - Ages fall within reasonable ranges; and
 - Pensions in payment lie within reasonable range and are consistent with the increases granted during the inter-valuation period.
3. We have used the deferred pensioners' data from the previous valuation. We however adjusted the data for pension increases which were granted.

APPENDIX II: CONSOLIDATED REVENUE ACCOUNT

A Consolidated Revenue Account of the assets held by the Fund is shown below:

Description	31 December 2024 Amount (ZWG)
Fund at beginning of period as at 5 April 2024	444 187 984
Opening adjustment	(36)
Adjusted opening balance	444 187 948
Contributions towards actuarial deficit	-
Investment Income	3 309 201 460
Interest income	457 008
Other Interest	-
Dividends	1 901 043
Rentals	29 431 339
Exchange gains	2 675 229 278
Realised Gains	31 132
Unrealised Gains	45 130 787
Revaluation Gain on operating assets	557 542 663
Miscellaneous income	3 078 588
Investment Expenses	(3 600 378)
Expenditure	(52 031 233)
Pensions	(50 749 339)
Lump sum awards on retirement and retrenchment	(1 281 894)
Operating Expenses	(11 030 352)
Staff Costs	(5 697 931)
Administration Expenses	(2 360 269)
Actuarial fees	(353 243)
Audit fees	(151 585)
Board expenses	(789 959)
IPEC levies	(615 931)
Bank Charges	(1 061 434)
Staff Costs	(5 697 931)
Fund at end of the period as at 31 December 2024	3 690 327 826

APPENDIX III: SUMMARY OF FUND RULES

Normal Retirement Age 60 years for most members with Category II Pensioners at 65 years

Contributions The Fund is paid up and therefore non-contributory

Conversion Date 31 December 2024

Conversion Value The amount at the conversion date of the member's opening Fund Credit in the DC arrangement in lieu of the accrued Defined benefits per the old rules as determined by the Actuary.

Deferred Pensioner A member who withdrew from the service of the Employer before retirement age and leave the pension benefits within the Fund till retirement age

Fund Credit Conversion value plus interest awarded after the conversion date.

Interest The return awarded annually to the various Fund accounts and Paid-up members' Fund Credits.

Paid-Up Member A member actively employed by the Employer who is not contributing to the Fund but have a Fund Credit in the Fund.

Paid-up Members Account An account for the Paid-Up Members or Fund Credit.

Reserve Account The account created for the purposes of accounting for any reserves and provisions set up at the advice of the Actuary

Normal Retirement The Fund Credit is payable.

The benefit for members retiring within 5 years after conversion date will be the greater of the Fund credit and the value as calculated by the Actuary of the pension calculated in terms of the Old Rules.

Early Retirement A member who has attained age 55 may retire early. The Fund Credit is payable.

The benefit for members retiring within 5 years after conversion date will be the greater of the Fund credit and the value as calculated by the Actuary of the pension calculated in terms of the Old Rules.

Late Retirement

A member who has attained age 65 may retire late with the Employer's consent. The Fund Credit is payable.

The benefit for members retiring within 5 years after conversion date will be the greater of the Fund credit and the value as calculated by the Actuary of the pension calculated in terms of the Old Rules.

Resignation or dismissal

The Employee Fund Credit is payable to the member while the Employer Fund Credit may be preserved in the Fund or Transferred to another Fund.

Death In Service

The Fund Credit is payable in terms of the rules of the Fund.

On the death of a Deferred pensioner before retirement death benefits in terms of the old rules are payable.

Death After Retirement

Benefits in respect of Category 1 Pensioners shall be in terms of the Old Rules. Those for Category 2 Pensioners shall be per the member's selection at retirement.

APPENDIX IV: FUND RISKS

Types Of Risk	Description	Mitigation
Regulatory Risk	✓ The prospect of undesirable consequences and penalties stemming from the Scheme's inability to fulfil all relevant regulatory requirements. This includes the likelihood of sustaining losses arising out of litigation.	✓ This risk can be mitigated by staying informed and engaged of the regulatory changes establish a compliance framework build relationships with regulators conduct regular risk assessments implement effective policies and procedures
Investment Risk	✓ Risk of the fall in the price of equities bonds and property due to movements in economic market factors.	✓ This risk can be mitigated by diversifying the investment portfolio across product types and economic sectors.
Valuation Risk	✓ Risk that assets in the merged Fund are overvalued and are worth less than its carrying value when it is sold or matures	✓ Risk is reduced by engaging asset valuation experts to ensure transparency and consistency in the asset valuation process.
Credit Risk	✓ Risk of loss emanating from the failure of third parties such as sponsoring Employers and other debtors to pay their dues to the scheme.	✓ The risk is minimized by taking appropriate action to collect all monies due to the Scheme i.e. Legal action the use of Debt collectors etc.

APPENDIX V: IPEC CERTIFICATIONS

DATA CERTIFICATION BY THE REVALUATION ACTUARY

I the undersigned hereby certify that the data used to determine and distribute Revaluation Gains which arose in the 2024 financial year for the ZESA Staff Pension Fund is sufficient based upon information and belief formed after reasonable inquiry. I also confirm that I have done the following before distribution of the Revaluation Gains;

- a. Checked and certified the adequacy/sufficiency of data as at 31 December 2024
- b. Reconciled the membership as at 05 April 2024.

Name of the Revaluation Actuary: Tinashe Mashoko

Name of Actuary's Professional Principal Regulator: Actuarial Society of South Africa.

Signature:

Date: 4 July 2025

CERTIFICATION OF THE ASSET AND LIABILITY CALCULATION METHODS AND ASSUMPTIONS BY THE REVALUATION ACTUARY

I the undersigned hereby certify that all the calculations for the purposes of determining and distributing Revaluation Gains for the ZESA Staff Pension Fund as at 31 December 2024 were done in accordance with the “Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms”. I also confirm that I have done the following before distribution of the Revaluation Gains;

- a. Checked the values of assets and accuracy of liabilities as at 05 April 2024 and as at 31 December 2024.
- b. Reconciled the assets and liabilities by categories of pension membership between 05 April 2024 and 31 December 2024.
- c. Ensured equity in the distribution of revaluation gains between pension liabilities and between old and newer members.

Name of the Revaluation Actuary:

Tinashe Mashoko

Name of Actuary’s Professional Principal Regulator: Actuarial Society of South Africa.

Signature:

Date: 4 July 2025

**CERTIFICATION OF THE SOLVENCY POSITION BY THE REVALUATION ACTUARY:
PENSION AND PROVIDENT FUNDS**

I the undersigned hereby certify that the ZESA Staff Pension Fund is solvent on an ongoing basis as at 31 December 2024 as shown in the table below. This is after adjusting fund member values based on calculations in terms of the “Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms”.

Measurement Date:	31-Dec-24
	ZWG
Total Assets	3 690 327 826
Actuarial Liabilities	3 610 631 618
Surplus/ (Deficit)	79 696 209
Funding Level	102.21%

Name of the Revaluation Actuary: Tinashe Mashoko

Name of Actuary’s Professional Principal Regulator: Actuarial Society of South Africa.

Signature:

Date: 4 July 2025