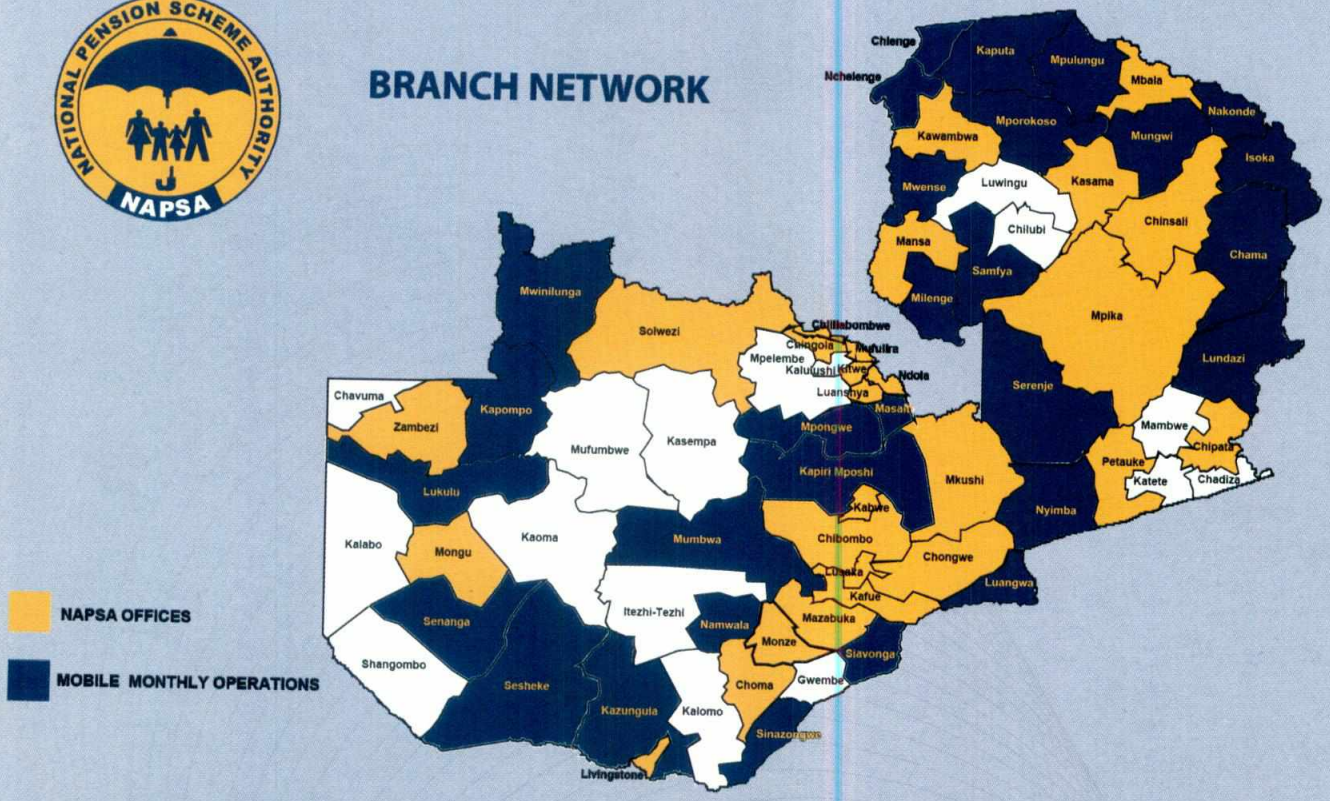
NATIONAL PENSION SCHEME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2020

Be smart, secure your future

BRANCH NETWORK



CHINGOLA Clen Building P O Box 10324 Tel: +260-212-311823 / 312839	**CHIPATA** Provident House P O Box 510260 Tel: +260-216-223427/ 221003	**CHOMA** Provident House P O Box 267 Tel: +260-213-220786	**KAWAMBWA** Provident House P O Box 730718 Tel: +260-212-960053	**KAFUE** P O Box 360041 Tel: +260-211-311555
KABWE Chitanda House P O Box 80433 Tel: +260-215-221379/ 223129	**LUANSHYA** Nollies Building Buntungwa Avenue P O Box 90026 Tel: +260-212-512252	**KITWE** Provident House Matuka Avenue P O Box 223036 Tel: +260-212-224009/ 223361	**KASAMA** Compensation House P O Box 410125 Tel: +260-214-221324	**MAZABUKA** Provident House P O Box 670075 Tel: +260-213-230212/ 230345
LUSAKA Southern Region Lusaka House Tel: +260-211-226874/5	**LIVINGSTONE** Mosi Oa Tunya House P O Box 60573 Tel: +260-213-322145/ 321444	**MONGU** Provident House P O Box 910176 Tel: +260-217-221128/ 221415	**MBALA** Lake Press House P O Box 420289 Tel: +260-214-450457	**MANSA** Provident House P O Box 710190 Tel: +260-212-821236
MUFULIRA P O Box 40099 Tel: +260-212-411078/ 411654	**MONZE** Provident House Tel: +260-213-250533/ 250222	**MKUSHI** Provident House P O Box 840140 Tel: +260-215-362091/ 250222	**ZAMBEZI** P O Box 150151 Tel: +260-218-371105	**NDOLA** Kingstone Building P O Box 72035 Tel: +260-212-610849
MPIKA Provident House P O Box 450092 Tel: +260-214-370370	**SOLWEZI** Provident House P O Box 110065 Tel: +260-218-821576/ 821342/821180	**PETAUKE** Provident House P O Box 560170 Tel: +260-216-371123/ 371121	**CHISAMBA** Zambeef Building Fringila P O Box 39 Tel: +260-211-843267/ 843271	**CHONGWE** NAPSA Chongwe Plot #322 Chongwe Civic Centre Tel: +260-211-620134
REGIONAL OFFICE - NORTH ZCCM IH Building Katanda Street Nkana East, Kitwe P O Box 22929 Tel: 260-212-251406	**REGIONAL OFFICE SOCIETY HOUSE** P O Box 36342 Tel: +260-211-843268	**CHILILABOMBWE OFFICE** Plot# 1883, Bushbuck walk KCM-Konkola Integrated Business Unit P O Box 210078 Chililabombwe Tel: +260-212-380829	**CHINSALI OFFICE** Plot # 888 Nkalula Street P O Box 630267 Chinsali Tel: +260-214-565149	*Corporate Affairs Unit* *Tel: +260 211 221 677 / 228 054-8* *LEVY BUSINESS PARK* *Email: info@napsa.co.zm*

NAPSA ACTIVITIES IN PICTURES



Republican President, His Excellency Dr. Edgar Chagwa Lungu laying a foundation stone during the ground breaking ceremony for the Mosi-oa-tunya Livingstone Resort.



Minister of Labour and Social Security, Hon. Joyce Nonde Simukoko, MP cuts the ribbon during the launch of Mpika NAPSA house, looking on is NAPSA Director General, Mr. Yollard Kachinda.



Minister of Labour and Social Security, Hon. Joyce Node Simukoko (Third from left) and NAPSA Board of Trustees pose for a photo during the inauguration of the board in Chisamba



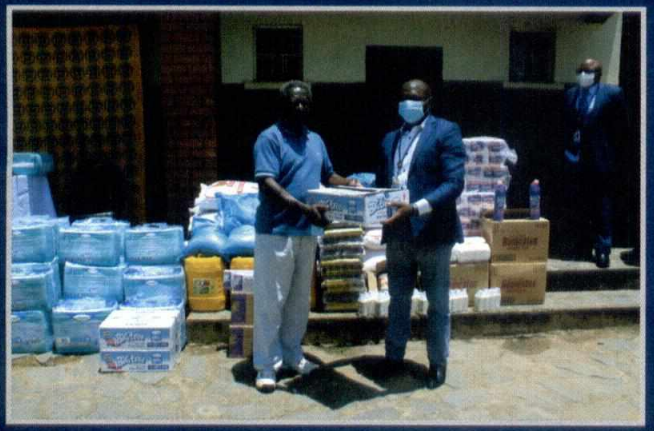
NAPSA Director General Yollard Kachinda pose for a photo with his counterpart MTN Zambia Chief Executive Officer, Bart Hofker with a share certificate after NAPSA purchased 8% shares in MTN



NAPSA Director General, Mr. Yollard Kachinda hands over a cheque to former Minister of Health Hon. Chitalu Chilufya towards the fight against Covid 19.



NAPSA Director General, Mr. Yollard Kachinda receives a dividend cheque from ZCCM-IH CEO, Mr. Mabvuto Chipata



Head Corporate Affairs Cephas Sinyangwe handing over assorted items donated by NAPSA to three old age homes



Head Corporate Affairs,Cephas Sinyangwe handing over wheelchairs donated by NAPSA to UTH and other hospitals

NATIONAL PENSION SCHEME AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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NATIONAL PENSION SCHEME AUTHORITY

Annual Report and Financial Statements for the Year Ended 31 December 2020

Board of Trustees



Mr. C. Evans Chibiliti
NAPSA Board Chairman



Mr. Mukuli Chikuba
Vice Chairperson



Mr. Chanda Kaziya
Member



Mrs. Agness Chakonta
Member



Mr. Laurian Haangala
Member



Mr. Victor Muyumba
Member



Mrs. Genevieve Funsani Daka
Member



Ms. Catherine Chinunda
Member



Ms. Catherine Mwenya Chola
Member



Ms. Prudence Malilwe
Member

Senior Management



Mr. Yollard Kachinda
Director General



Mr. Utembele Simwinga
Director Finance



Mrs. Lydia Chilumba
Authority Secretary



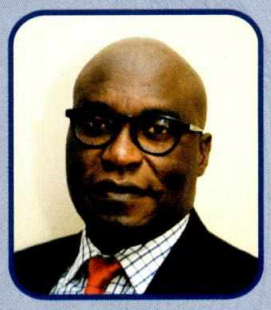
Mr. Mason Mwiinga
Director Contributions & Benefits



Mr. Owen Chimpinde
Director Internal Audit



Mrs. Betty Meleki
Director Human Resources
& Administration



Dr. Greg Chola Nsofu
Director Information &
Communication Technology



Mr. Ronnie Kamanya
Director Strategy
& Business Performance



Mr. Mwewa Kyamulanda
Director Investments

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

BOARD OF TRUSTEES

Mr. C. Evans Chibiliti* (Independent)	-	Chairman Appointed 1 August 2020
Mr. Mukuli Chikuba* (Ministry of Finance) (Government representative)	-	Vice-Chairperson Appointed 1 August 2020
Mr. Chanda Kaziya* (Ministry of Labour and Social Security) (Government representative)	-	Member Appointed 1 August 2020
Mr. Victor Muyumba (Workers' representative)	-	Member Appointed 1 August 2020
Mrs. Agnes Chakonta* (Pension Managers' representative)	-	Member Appointed 1 August 2020
Ms. Catherine Chola (Bankers Association representative)	-	Member Appointed 1 August 2020
Mrs. Genevieve F. Daka (Employers' representative)	-	Member Appointed 1 August 2020
Ms. Prudence Malilwe (Bank of Zambia representative)	-	Member Appointed 1 August 2020
Mrs. Catherine Nampasa Chinunda* (Workers' representative)	-	Member Appointed 1 August 2020
Mr. Laurian Haangala (Employers' representative)	-	Member Appointed 1 August 2020

* *Reappointed*

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

EXECUTIVE MANAGEMENT

Mr. Yollard Kachinda	-	Director General
Mr. Mason Mwiinga	-	Director Contributions & Benefits
Mrs. Lydia S. Chilumba	-	Authority Secretary
Mr. Mwewa Kyamulanda	-	Director Investments (Appointed January 2020)
Mr. Utembele Simwinga	-	Director Finance
Mr. Phillip Muyumbana	-	Director Projects
Dr. Greg Chola Nsofu	-	Director Information & Communication Technology
Mrs. Betty C. Meleki	-	Director Human Resource & Administration
Mr. Ronnie Kamanya	-	Director Strategy & Business Performance
Mr. Owen C. Chimpinde	-	Director Internal Audit (Appointed April 2020)

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

PROFESSIONAL ADVISORS

LEGAL ADVISORS:	Legal Counsel National Pension Scheme Authority Levy Business Park P O Box 51275 Lusaka
AUDITORS:	Grant Thornton 5th Floor, Mukuba Pension House Dedan Kimathi Road P O Box 30885 Lusaka
ACTUARIES:	Government Actuary's Department Finlaison House 15 – 17 Furnival Street London EC4A 1AB
BANKERS:	Zambia National Commercial Bank Plc Private Bag E119 Lusaka Citibank Zambia Limited P O Box 30037 Lusaka Absa Bank Zambia Plc Private Bag E308 Lusaka Standard Chartered Bank Zambia Plc P O Box 32238 Lusaka Stanbic Bank Zambia Limited P O Box 31955 Lusaka

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES

The Trustees of the National Pension Scheme Authority present their report for the year ended 31 December 2020, together with the audited financial statements.

1.0 Introduction

1.1 Mandate

The National Pension Scheme Authority ("NAPSA" or "The Authority") was established by the National Pension Scheme Act No. 40 of 1996 ("The Act"), as a body corporate with perpetual succession and a common seal, and became operational on 1 February 2000.

Under The Act, NAPSA administers a defined benefit scheme ("The Scheme") into which is paid all contributions authorised under The Act, and out of which all payments authorised under The Act are met.

In 2015 NAPSA also took over the liabilities of members who contributed to the saving Scheme previously established under the now repealed Zambia National Provident Fund ("ZNPF").

The Authority's head office is:

Levy Business Park
P O Box 51275
Lusaka

1.2 Trustees

Under the provisions of The Act, the members of the Authority are the Trustees of the Scheme and are appointed by the line Minister in accordance with the provisions of The Act. Subject to these provisions, a Trustee shall hold office for a period of three years from the date of appointment and may be re-appointed for a like period. The Trustees who held office in 2020 have been listed on page 1.

The Act requires the Authority to prudentially manage The Scheme to ensure that at all times it is in a state of actuarial soundness, financially sustainable, fair in its benefit distribution and affordable.

In accordance with prudential principles therefore, the Board of Trustees assumes overall responsibility for internal controls, risk management, the maintenance of adequate accounting records and the safeguard of the scheme assets, as outlined in the Statement of Responsibility on page 21.

Under the provisions of The Act, the Trustees are required to meet for the transaction of business at least once in every three months at such places and at such times as the Chairperson may determine. In 2020, the Trustees met at least once in each quarter.

2 Strategic Objectives achieved during the year 2020

The year of 2020 was extremely challenging in meeting the strategic objectives due to, among others, the incidences of gassing in the early part of the year and the prevalence of the Covid 19 pandemic which adversely affected the social and economic working environment in which the Authority operates. In response to these challenges, the Authority evoked the business continuity plans where necessary to ensure that the following 2020 objectives were achieved:

i) Attaining a weighted return of 19 percent against a target of 16 percent, further contributing to the Scheme's financial sustainability. The size of the portfolio was increased from K31.7 billion to K41.0 billion.

ii) Increase in membership by 123,532 against a yearly target of 100,000 bringing the cumulative total to 981,532 members.

iii) Automating the online benefit processing system to support the claimants in remote submission of claims to reduce the risk of Covid 19 contraction.

2 **Strategic Objectives achieved during the year 2020** (continued)

iv) Exceeding the turnaround time in benefits payment by 33.2 percent on average despite the challenge of the Covid 19 pandemic which assisted members to have disposable income on time.

v) Attaining an overall rating of 86.4 percent in the 2020 Customer Satisfaction survey against a target of 80 percent.

vi) Sustaining a conducive working environment and maintaining industrial harmony which was a key factor in ensuring that the Board, Management and staff delivered on the strategic objectives as reflected in the 2020 employee satisfaction survey result of 86.4 percent.

3 **Operational Highlights for the year 2020**

3.1 **Supporting Role of the Authority in the national economy**

Through payments of pension benefits to its members, the Authority contributed to boosting economic growth by facilitating increased consumer spending power thereby increasing consumer demand in the economy. In this regard, the Authority paid out One Billion Three Hundred and Fourteen Million Kwacha (K1,314 million) to its members in various pension benefits, as compared to K1,173 million in 2019.

The Authority continued to play a catalytic role in the economy by providing funds for investment and payment of pension benefits. Through its diversified investment portfolio in various asset classes, the Authority supported the growth of the financial and capital markets by promoting depth and providing liquidity in the market.

3.1.1 **Overall Authority Performance**

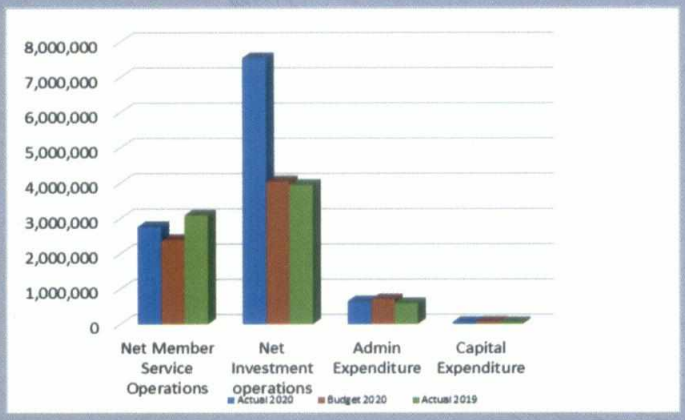
The Authority recorded a 29% increase in the Net Assets Available for Benefits to K41 billion from K31.7 billion achieved in 2019. The positive performance was attributable to:

i) favourable net investment performance.

ii) favourable performance on member service operations.

iii) control on administrative expenditure, which was 6% below budget.

The overall performance is highlighted in the graph below:



3 Operational Highlights for the year 2020 (continued)

3.2 Member Service operations

3.2.1 The Scheme collected K4.1 billion in contributions, an annual decrease of 4% from the 2019 figure of K4.3 billion. The decrease is largely attributed to the contraction in the national economy, induced by the adverse effects of the coronavirus disease, Covid-19 pandemic. The emergence of the Covid-19 pandemic compelled countries across the world to undertake containment measures in the fight against the pandemic. Virtually all countries closed borders, shut down industries and restricted movement to contain the spread of Covid-19. As a result, there was disruption in global supply chain.

On the domestic front, the Government undertook several interventions to halt the spread of the pandemic. These included the partial lockdown of the economy, which had an adverse impact on all sectors of the economy. The worst affected sectors included, among others, the hospitality, construction, and transport sectors, which shut down. Consequently, the firms downsized the workforce to reduce the operational costs owing to downturn in business. The reduction in workforce hindered the Authority's ability to increase collection of member contributions. Therefore, the member contributions collected in 2020 were slightly below by 4% of target of K4.2 billion.

The contribution rate remained at 10% of the employee's gross wages up to the monthly ceiling of K2,299 shared equally at 5% between the employer and the employee.

3.3 Membership, Contributions and Benefits Trend

3.3.1 The five-year trend in both contributions and benefits paid are highlighted below in Tables 1 and 2:

Table 1

Membership and Contributions trend	2020	2019	2018	2017	2016
Number of active employers	**25,887**	25,105	22,199	21,068	18,288
Number of active members	**818,661**	858,724	810,408	768,591	727,833
Average collection per month (K' millions)	**335**	353	299	270	243

Table 2:

Benefits trend	2020	2019	2018	2017	2016
Funeral grant per claim (K)	**11,496**	10,738	9,950	8,946	8,440
Minimum pension per member (K)	**1,149**	1,073	995	894	844
Highest pension per member (K)	**6,486**	5,779	5,050	3,994	3,644
Average monthly pension per member (K)	**1,744**	1,578	1,419	1,264	1,145
Highest lump sum per claim (K)	**447,053**	390,017	346,380	312,460	282,095
Number of pensioners	**18,650**	16,918	15,471	14,654	14,497
ZNPF payments (K' millions)	**459**	414	312	198	166

Table 1 and 2 above illustrate the steady increase in the Scheme membership and pensioners, respectively. The number of pensioners is growing at an average rate of 1,500 pensioners per annum.

3 Operational Highlights for the year 2020 (continued)

3.3 Membership, Contributions and Benefits Trend (continued)

3.3.1 (continued)

During the year, 2,114 additional pensioners were included on the pension payroll while 1,197 were excluded mainly due to their omission to renew the life certificates and terminations due to death. The changes in the number of pensioners are summarised below:

i. The number of new entrants in 2020 was 2,114.

ii. 1,197 pensioners were permanently dropped from pension payroll due to:

a) Deaths: 177 pensioners died during the year;

b) Non-renewal of life certificates: 819 pensioners did not renew their life certificates;

c) 201 children attained the age of 25;

d) Highest paid lump sum was K447,053.

3.4 Investments

3.4.1 The Scheme recorded overall net positive performance of K7.1 billion on investment operations, compared to K3.9 billion recorded in 2019. The bulk of income was from Treasury operations, mainly net interest income which was K7.8 billion in 2020, a positive variance of K2.8 billion (56%) in comparison to 2019. The Scheme's favourable performance from its investments was mainly due to several factors including the following:

i. Fresh funds of K2.1 billion from member contributions;

ii. Increased investment in higher yielding Government securities at an average interest rate of 12%;

iii. Increased interest income from loans under the Infrastructure asset class;

iv. Increased interest income from fixed term deposits, owing to favourable market conditions;

v. Net capital gains on listed securities amounting to K213 million;

vi. Net revaluation loss on Government securities amounting to K193 million compared to the net revaluation loss of K123 million recorded in 2019.

vii. Net exchange gains arising from translation of monetary assets and liabilities quoted in foreign currencies;

viii. Provision for loss arising from the expected credit losses on the financial assets amounting to K806 million. This includes K651 million relating to the loan for the redevelopment of the former Society House and Central Arcades, which was discharged through the purchase agreement with Zambia National Building Society (ZNBS).

3.4.2 The Authority has complied with the approved limits in the Investment guidelines under SI 19 of 2018. The Investment portfolio held at the end of the year 2020 is shown in Table 3 below.

3 Operational Highlights for the year 2020 (continued)

3.4 Investments (continued)

Table 3: Investment Portfolio

Net Investments	2020 Net Investments	2020 % of total portfolio	2019 Net Investments	2019 % of total portfolio
	K' 000		K'000	
Government securities	**18,247,970**	**45%**	15,658,087	52%
Fixed Term Deposits	**6,384,372**	**16%**	6,533,236	22%
Medium Term Notes	**379,050**	**1%**	19,408	-
Shares in listed and unlisted corporations	**3,078,864**	**8%**	1,121,100	3%
Infrastructure & Real estate	**6,560,075**	**16%**	3,704,226	12%
Housing inventory	**138,754**	**-**	157,800	1%
Investment properties	**5,530,398**	**14%**	3,063,930	10%
Total	**40,319,482**	**100%**	30,257,787	100%

3.4.3 Table 4 below highlights the Authority's major projects at various stages of completion and the expenditure thereon by 31 December 2020. The projects are displayed by category.

Table 4: Major projects in progress

(Kwacha Thousands)

Projects in progress	Type	2020	2019
Redevelopment of Society House	Hotel, retail, parkade and offices	**1,060,229**	1,028,717
ECL Business Park	Hotel, shopping mall, convention centre and offices	**1,206,623**	1,458,396
New Chinsali offices	Offices	**23,058**	19,756
New Records Centre	Records centre	**102,105**	81,220
River View Park	Housing units, retail and offices	**262,093**	188,034
Mosi-Oa-Tunya Livingstone Resort	Hotel	**387,818**	-
Mufulira Mixed Use Development	Offices and shopping mall	**11,677**	-
Total		**3,053,603**	**2,776,123**

3.5 Provident Fund

3.5.1 Since inception of the Pension Scheme, the Provident Fund became a depleting fund with no inflow of fresh funds from contributions. As a consequence, the Fund in recent years experienced liquidity challenges. This necessitated intervention by the Pension Scheme to assist the Fund meet its obligations such as benefit payments to members who contributed to the now closed ZNPF.

3.5.2 The Board of Trustees consequently resolved that the assets and liabilities of the Provident Fund be taken over by the Pension Scheme through merging of the two books of accounts. The audited positions of the Pension Scheme and the Provident Fund were thus merged as at 1 January 2017.

4.0 Staff Matters

4.1 The approved staff establishment as at 31 December 2020 was as shown in Table 5 below.

Table 5 Staff establishment

	2020	2019
Approved staff establishment	**700**	660
Actual numbers		
Permanent and pensionable	**641**	570
Directors	**10**	8
Contract staff	**6**	64
Total	**657**	642

4.2 The Authority prides itself in having a team of employees that support its strategic intent by way of their diverse skills and competencies. In maintaining a motivated and performance driven workforce, the Authority undertakes several measures and activities which include the following:

4.2.1 Training and Development

Training and development of staff is a key component of the Authority's retention strategy. Through training and development programmes, the Authority has over the years acquired unique skill sets that set it apart from other pension institutions.

During the year, a few training programmes were conducted physically due to the Covid - 19 pandemic. However, most programmes were conducted virtually/online. A number of in-house programmes were conducted for members of staff covering courses in Leadership Skills, Records Management, Fraud and Corruption, Health and Safety and other programmes covering Continuous Professional Development for staff in various fields. The Authority further enhanced the capacity of employees to serve a more diverse clientele by sponsoring some members of staff in Chinese Language Learning and Sign Language Learning. A number of employees were also sponsored for short term programmes in line with their professions such as Financial Risk Management, Siebel Applications, Certified Information Systems Auditor (CISA) and Securities & Investments.

4.2.2 Health care and wellness programmes

The Authority promoted several health and wellness initiatives such as Cancer Sensitization and Screening across all stations, in-house fitness and Covid-19 Sensitization for members of staff in all stations as well as provision of Covid-19 protective attire and maintaining safe work environment by way of office fumigation and practicing work rotations for enhanced social distancing. The Authority also provided medical insurance cover for all staff during the period. These initiatives were aimed at promoting a healthy and physically fit workforce. A healthy workforce promotes increased productivity in any institution.

4.2.3 Employee Engagement

Regular engagement with staff is at the core of the Authority's activities. Given that the Authority has two categories of employees (represented and non-represented), it is imperative that there is free flow of information as well as regular communication within the institution. During the year, the Authority continued to embed the iCARE (Integrity, Collaboration, Accountability, Respect and Excellence) Values as a drive to becoming a values-based institution. In the wake of Covid-19 pandemic, the Authority focussed on communication using virtual platforms. In this regard, the Director General addressed all members of staff on two occasions virtually during the period. While observing health protocols and utilizing the available telecommunications means, efforts shall continue to embed these iCARE values in the coming year.

4.0 Staff Matters (continued)

4.2.4 Performance Management

As the Authority positions itself as a performance-based institution, it endeavours to achieve its set performance targets. During the period under review, the Authority partially exceeded its performance and was rated at level 4 of the 5-point scale with 1 being the lowest and 5 being the highest score. For effective performance assessments, the Balanced Scorecard framework was used as the performance management tool. To this effect employees would be rewarded based on their performance.

5.0 Statement on Corporate Governance

5.1 The Authority subscribes to the tenets of good corporate governance. NAPSA's mandate, structure and operations are primarily premised on the National Pension Scheme Act, Number 40 of 1996 and its subsequent amendments thereof, the Investment Guidelines and other applicable laws. NAPSA has in place various policies, structures and procedures to ensure that the decision-making process, governance and administration of the institution are in accordance with applicable laws and good corporate governance practices. As a Social Security Institution, NAPSA further subscribes to International Social Security Association (ISSA) principles and practical guidelines on Good Governance Guidelines. The ISSA Good Governance Guidelines encourages social security institutions to ensure that the exercise of vested authority is accountable, transparent, predictable, participative and dynamic.

5.2 The Authority is governed by a Board of Trustees, comprising ten (10) members, who are appointed by the Minister of Labour and Social Security. The Board of Trustees is tripartite in nature as the majority of trustees are drawn from the Government, Employers and Employees' Associations. Other trustees are drawn from the industry and professional bodies prescribed by law. The tenure of office of the previous Board of Trustees that was appointed in 2017 came to an end in May 2020. The current Board of Trustees was appointed by the Minister of Labour and Social Security on 1 August 2020. The current Board is comprised of five (5) women and five (5) men. The Board provides oversight over the operations of the Authority in line with its statutory mandate and the Board Charter which is reviewed regularly. The Minister also appoints the Director General who is responsible for the day-to-day management of the Scheme. The Office of the Authority Secretary acts as a central point of advice to the Trustees on governance issues and processes relating to the Authority's operations. All Trustees and Committee Members have access to the Authority Secretary.

5.3 The Board meets regularly to review the performance of the Institution and provide guidance to Management. Every year, the Board approves a Schedule of Board Meetings to assist members plan for attendance. However, ad hoc meetings are arranged to cater for urgent and time bound business.

5.4 During the year under review, a total of fourteen (14) Board meetings were held of which ten (10) were scheduled and the remainder of four (4) were ad hoc (special) meetings. The Board's key focus areas are summarised as follows:

i. the Authority's strategic direction;
ii. corporate governance;
iii. financial arrangements;
iv. key investment strategies and performance;
v. Scheme performance; and
vi. guidance to the executive team.

5.5 The proceedings of the meetings were duly recorded, and minutes were signed after confirmation by the Trustees.

6.0 Board Committees

The Board has powers to delegate its authority to committees and management to assist it discharge its mandate. There are currently four (4) standing Board Committees, namely, the Audit, Risk and Compliance Committee, Finance and Investments Committee, Technical Committee and the Staff Affairs Committee. The Board has powers to appoint to the Committees external subject matter experts to ensure the right balance of skills and knowledge is brought to bear into its decision-making processes for the benefit of the institution. The Committees are chaired by a Trustee meeting requisite skill and experience in line with the mandate of the Committee.

6.1 Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee, as recognised in Section 19 of the Public Finance Management Act of 2018, oversees financial reporting, risk management and compliance for the Authority.

6.1.1 The Committee is comprised of the following Members:

i. Ms. Prudence Malilwe (Chairperson)
ii. Mr. Laurian Haangala
iii. Mr. Victor Muyumba
iv. Mrs. Mwila Kasase Zulu

6.1.2 During the year, the Committee met six (6) times to consider audit, risk and compliance matters and make appropriate recommendations to the Authority.

6.2 Finance and Investments Committee

The Finance and Investments Committee oversees investment performance and management to ensure prudent management of assets and maximisation of returns.

6.2.1 The Committee is comprised of the following Members:

i. Mr. Mukuli Chikuba (Chairperson)
ii. Mr. Chanda Kaziya
iii. Mr. Victor Muyumba
v. Ms. Catherine Chola

6.2.2 The Committee met ten (10) times in 2020 to review the Authority's financial performance, consider investment proposals, make investment decisions, adopt policies and propose appropriate recommendations to the Authority.

6.3 Technical Committee

The Technical Committee's main mandate is to assist the Board of Trustees discharge its statutory obligations in relation to monitoring pension administration, strategic planning, actuarial status, reforms and regulatory compliance.

6.0 Board Committees (continued)

6.3 Technical Committee (continued)

6.3.1 The Committee is comprised of the following Members:

i. Mrs. Agnes Nyondo Chakonta (Chairperson)
ii. Mr. Laurian Haangala
iii. Mrs. Catherine Nampasa Chinunda
vi. Mr. Anthony Dumingu*

6.3.2 The Committee met five (5) times in 2020 to consider matters relating to member service operations and make appropriate recommendations to the Authority.

6.4 Staff Affairs Committee

The Committee's key function is to oversee staff wellbeing and performance in order to ensure optimal overall organisation performance.

6.4.1 The Staff Affairs Committee is comprised of the following Members:

i. Mrs. Genevieve Funsani Daka (Chairperson)
ii. Mr. Chanda Kaziya
iii. Ms. Prudence Malilwe
iv. Mrs. Catherine Nampasa Chinunda

6.4.2 The Committee met six (6) times in 2020 to consider matters pertaining to staff and make appropriate recommendations to the Authority.

6.0 Committees (continued)

6.5 Attendance of meetings

In response to the Covid - 19 pandemic, the Authority in line with its Business Continuity Plan implemented telecommuting as part of a wide range of measures intended to curb the spread of the virus. In this regard, over 90% of all Board and Committee meetings were virtual meetings held on the Microsoft Teams platform. The attendance of the Board and Committee meeting is set out below:

BOARD OF TRUSTEES			
Name	**Position**	**Scheduled Meetings**	**Meetings Attended**
Mr. C. Evans Chibiliti	Board Chairman	14	14
Mr. Mukuli Chikuba	Vice Chairman	14	11
Mr. Chanda Kaziya	Member	14	14
Mrs. Agnes N. Chakonta	Member	14	13
Mrs. Catherine N. Chinunda	Member	14	13
Ms. Freda Tamba*	Member	8	6
Mrs. Euphemia Chambula*	Member	8	8
Mr. Chingati Msiska*	Member	8	8
Mr. Kennedy Njamba*	Member	8	8
Ms. Chanda Kasanda****	Member	2	1
Ms. Prudence Malilwe**	Member	6	6
Mr. Laurian Haangala**	Member	6	6
Mrs. Genevieve F. Daka**	Member	6	6
Ms. Catherine Chola**	Member	6	5
Mr. Victor Muyumba**	Member	6	6
FINANCE AND INVESTMENTS COMMITTEE			
Name	**Position**	**Scheduled Meetings**	**Meetings Attended**
Mr. Mukuli Chikuba**	Chairman	6	5
Mr. Chanda Kaziya**	Member	6	6
Ms. Catherine Chola**	Member	4	4
Mr. Victor Muyumba**	Member	4	4
Ms. Freda Tamba*	Member	4	4
Ms. Christabel M. Banda*	Member	4	4
Mrs. Jane Mulenga*	Member	4	4
Mr. Watson M. Ngandu*	Member	4	4
Mr. Zachariah C. Musonda*	Member	4	4
Mr. Chingati Msiska***	Member	2	2
Mr. Anthony Dumingu***	Member	2	2
Mr. Euphemia Chambula***	Member	2	2

6.0 Committees (continued)

6.5 Attendance of meetings (continued)

STAFF AFFAIRS COMMITTEE			
Name	**Position**	**Scheduled Meetings**	**Meetings Attended**
Mrs. Genevieve F. Daka**	Chairperson	3	3
Mr. Chanda Kaziya**	Member	3	3
Ms. Prudence Malilwe**	Member	3	3
Mrs Catherine N. Chinunda**	Member	3	3
Mr. Kennedy Njamba*	Member	3	3
Mr. Chingati Msiska*	Member	3	3
Mrs. Musonda Kunkuta*	Member	3	1
Ms. Mubanga Musakanya*	Member	3	3
Mr. Jumali Nkhoma*	Member	3	3
AUDIT RISK AND COMPLIANCE COMMITTEE			
Name	**Position**	**Scheduled Meetings**	**Meetings Attended**
Ms. Prudence Malilwe**	Chairperson	3	3
Mr. Laurian Haangala**	Member	3	3
Mr. Victor Muyumba**	Member	3	3
Mrs. Mwila K. Zulu**	Member	3	3
Mr. Mukuli Chikuba	Member	3	3
Mr. Julu Simuule*	Member	3	3
Mr. James Banda*	Member	3	3
Ms. Rosemary Mukuka*	Member	3	3
Ms. Chanda Kasanda****	Member	2	1
TECHNICAL COMMITTEE			
Name	**Position**	**Scheduled Meetings**	**Meetings Attended**
Mrs. Agnes N. Chakonta	Chairperson	5	5
Mrs. Catherine N. Chinunda	Member	5	5
Mr. Laurian Haangala**	Member	3	3
Mr. Anthony Dumingu	Member	5	5
Mrs. Euphemia Chambula*	Member	2	2
Mr. Musonda Cheta*	Member	2	2
Dr. Stephen Kambani*	Member	2	2
Mrs. Irene Kunda*	Member	2	1

NOTES

* Served on the Committee from 1st January 2020 and exited on 31st May 2020 when the Board of Trustees' three-year tenure came to an end.

** Appointed to the Board/Committee in August 2020 after the constitution of the new Board of Trustees on 1st August 2020 by the Honourable Minister of Labour and Social Security.

***Served on the Committee after the Board reconstituted its Committees from 1st May 2020 to 31st May 2020 when the Board of Trustees' three-year tenure came to an end.

**** Resigned from the Board of Trustees in March 2020.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

7.0 Board Induction and Continued Development

7.1 The Authority has in place a comprehensive induction process for new Trustees and Committee members as and when they join the Board. The induction process takes the form of presentations from executives and functional heads. The induction for the newly appointed Board of Trustees was held from 12 – 13 August 2020. The Trustees were oriented on the operations of the Authority and their mandate. As part of the induction, the Board undertook tours of Authority investment projects in the Copperbelt, Northern and Muchinga Provinces. The Authority endeavours to expose Trustees to specific tailored trainings in pension administration and fund management during the tenure of their office in order to better equip them to discharge their functions.

7.2 Further, the Authority recognises the importance of Trustees' continued understanding of the changing regulatory environment in the pension industry and their role as fiduciaries. Arrangements for training, exposure to new developments and benchmarking with peer institutions are regularly made for Trustees' continued learning and development. These training and development activities usually focus on areas such as strategy, corporate governance, risk management and investments.

8.0 Board Performance Evaluation

8.1 The Authority also conducts performance evaluations of the Board, and its Committees in order to enhance Board effectiveness. In 2020, the Board did not conduct the self-evaluation as the Board had only been in office for a few months. The Board self-evaluation would be undertaken in 2021.

9.0 Board Remuneration

9.1 Board Trustees and Committee Members are remunerated for services rendered to the Authority through sitting allowances and quarterly retainer fees. The Board is empowered by law to set its remuneration, which is subject to approval by the Minister. Before Trustees' remuneration is reviewed upward, surveys are conducted with peer institutions within the Public Sector for comparison. If deemed appropriate, the Staff Affairs Committee makes recommendations for review of Board remuneration.

9.2 The Authority has put in place a Board Remuneration Policy which sets out key considerations for determining Trustees' remuneration. The Trustees' remuneration was last reviewed in 2017 when the last Board was constituted.

9.3 Details of the total remuneration and board expenditure is provided in note 30 "Related Party Transactions" of the audited financial statements.

10.0 Senior Management

10.1 The Board of Trustees has within the provisions of The Act delegated the day-to-day administration of the Scheme to the Director General, who is the Chief Executive Officer of the Authority.

10.2 Senior Management is comprised of the Director General, supported by nine (9) Directors who each heads a Directorate.

10.3 There is open communication between the Board of Trustees and Senior Management. The Board and its Committees are supplied with full information prior to each meeting to enable them to discharge their responsibilities.

10.4 The Board understands the relationship between itself and the members of The Scheme. It acknowledges that its role is to promote the interest of the members and recognises that it is accountable to the members for the performance of the Pension Scheme.

11.0 NAPSA's Strategic Direction, Vision, Mission and Culture

11.1 As part of its vision and commitment to being a high performing public institution, the Authority adopted a new Strategic Plan in 2018. The Strategic Plan builds on the successes scored by the Authority's previous strategic plans and is also aligned to the Seventh National Development Plan (7NDP), with a focus on multi-sectoral integrated approach. The new Strategic Plan runs from 2018 to 2021. It was developed in a highly consultative bottom-up approach with an extensive external and internal environmental scan, so that the Authority remained suitably responsive to the needs of its stakeholders, particularly its members.

11.2 The Strategic Plan is tied to the Authority's new vision of being "**A trusted partner that protects people's future and brings pride to the Nation"**.

The Authority's new mission statement and core values guide its operations in its new trajectory as set out below:

Mission Statement: ***"Securing the social and economic well-being of the people of Zambia"***

The Authority's Core Values which are modeled on the **iCARE** principle are:

Integrity – "Do the Right Thing"

Collaboration – "Work Together"

Accountability – "Be Responsible for Your Actions"

Respect – "Listen to Every Voice"

Excellence – "Perform at Your Best"

All Trustees and employees of the Authority are expected to exhibit behaviors that are consistent with the Authority's core values.

11.0 NAPSA's Strategic Direction, Vision, Mission and Culture (continued)

11.3 Upholding an Ethical Culture

11.3.1 In line with the National Anti-Corruption Policy, the Authority is one of the Public Institutions that has established an Integrity Committee (IC). The IC supports the Authority's resolve to uphold the highest standards of ethics in its operations and its main role is to institutionalize the fight against corruption by spearheading corruption prevention activities and entrenching ethical behaviour in the Authority.

11.3.2 During the period under review, the IC assisted the Authority to plan and implement integrity activities under the 2020 Anti-corruption Preventative Action Plan (ACPAP). The bulk of the activities were aimed at increasing the public's awareness on the role of the IC in the Authority and how the public can report any corruption or maladministration by or involving Authority staff.

11.3.3 The Authority has a Code of Conduct that guides employees and Trustees regarding the standard of behaviour expected to be complied with, including the adherence to the core values, compliance with applicable laws and regulations, conflict of interest, confidentiality, protection of Authority assets from abuse. The Code further guides employees on steps to be taken to foster an environment that would encourage ethical behaviour by those doing business with the Authority and other stakeholders such as suppliers, contractors and agents as well as other stakeholders.

The Authority has further put in place critical policies such as the Integrity Policy, Conflict of Interest Policy, Gifts and Benefits Policy to assist the IC embed the culture of integrity in the institution. The Authority also has in place a 24-hour Toll-free line **(5080)** called **'Tip Off Anonymous'** through which members of the public can report suspected or actual malpractices within the institution. The toll-free line is managed by an Independent Service Provider.

11.3.4 As part of its commitment to safeguarding transparency and managing conflicts and ensuring timely disclosure of interests, the Authority requires all Trustees, executives and all employees to make annual standing declarations on relationships and engagements with potential conflict to their positions in the Authority.

12.0 Risk Management

12.1 During the year under review, the Authority achieved a key milestone in the implementation of its Enterprise Risk Management (ERM) framework. The rollout of the ERM framework to all business functions within the Authority was completed and implementation of its key components deployed. This included, among other activities, the holding of risk awareness sessions for staff and operationalization of the risk governance structures.

12.2 Risk Type Frameworks (RTFs) which will be used to manage strategic risks inherent in the Authority's business model is underway. The Authority has identified the following as strategic risks: Investment; Actuarial; Scheme Design; Credit; Market; Outsourcing; Liquidity; Operational; Legal & Regulatory; Cyber-Security; Fraud & Corruption; Political; Information Technology; and Reputation. Manifestation of risks are linked to these strategic risks and mitigation measures focused on potential consequences form part of the risk action plans that are subject to constant monitoring and reporting. All the identified risks are managed within the domain of the Authority's Risk Appetite Statement (RAS) approved by the Board of Trustees.

12.3 **ERM – A Part of Our Business Strategic Work**

12.3.1 A healthy risk culture is an authority level ability to identify and assess current and future risks, openly and take prompt actions. Risk governance ensures that risk management and the Authority's risk culture are fully integrated by providing leadership and commitment. The Board assigns risk management responsibilities throughout the Authority's structure. Our risk governance structures currently enforce adherence to this belief.

12.3.2 The Authority's risk management approach follows our decentralized structure where risks are managed and owned by the unit generating the risks. The Board of Trustees is ultimately responsible for the governance of risk management. Senior Management ensures that there is a common and efficient process in place. This approach is summarized below:

Figure 1: Risk Governance Organs



12.0 Risk Management (continued)

12.4 Crisis Management Complements Our Risk Management

12.4.1 The requirements for local management teams on how to act in a crisis is outlined in a Business Continuity Policy, which is implemented in all business units in the Authority. The overall purpose of the Authority's crisis management is to complement our proactive risk management work. Once a risk materializes, the priority of our crisis management is to minimize harm to the environment, people and to minimize damage to our business, as well as ensuring a swift return to normal activities and safeguarding the Authority's reputation.

12.4.2 During the year under review, the Authority continued to make significant strides in enhancing its Business Continuity Management (BCM) function. Activities included the following:

a) Review of BCM framework encompassing the BC Policy, detailed BCM Procedures and supporting tools to effectively manage and implement and enhance the Authority's operational resilience.

b) Testing of several recovery strategies due to Covid-19 induced operational challenges. Lessons learnt from these tests have led to improvements in BC execution and enhancing synergies with other stakeholders to guarantee service provision at acceptable levels.

13.0 Corporate Social Responsibility

13.1 The Authority is aware of, and gives consideration to, its role as a Corporate citizen. The Authority therefore has a strategic intent aimed at fostering inclusive growth and socio-economic development in the country. In this regard, the Authority has in its portfolio funds for Corporate Social Investment and Corporate Social Responsibility. Under Corporate Social Responsibility, the Authority has strategies that are structured to help address the specific needs of the community that range from environmental sustainability, community health and wellness programmes.

13.0 **Corporate Social Responsibility (continued)**

13.2 Under the Authority Corporate Social Responsibility (CSR) policy, the Authority made donations amounting to K1,974,800 in 2020. These included among others the following:

PERIOD	BENEFICIARY	DESCRIPTION	AMOUNT
March 2020	- Ministry of Health – Emergency Response for COVID-19	Procurement of assorted medical equipment towards the mitigation and containment of the Coronavirus (COVID-19) Outbreak	K1,000, 000
May 2020	- University Teaching Hospital - Mazabuka General Hospital - Monze Hospital - Choma General Hospital	252 wheelchairs were distributed as follows: - UTH: 100 wheelchairs - Mazabuka General Hospital: 50 wheelchairs - Monze General Hospital: 51 wheelchairs; and - Choma General Hospital: 51 wheelchairs	K289, 800
June 2020	- Mr. Dann Musenge (Former NAPSA Director General)	As medical fees towards Mr. Dann Musenge	K22,500
September 2020	- Ministry of Health	Payment for accommodation for fifteen (15) doctors at Cresta Golfview for six (6) weeks. The Doctors were involved in the critical care for Covid-19 patients admitted to Levy Mwanawasa Hospital.	K472,500
November 2020	- Mr. Dann Kunda Musenge's Family	Payment towards Mr. Dann Kunda Musenge's Funeral.	K40,000
December 2020	- Mitanda House of the Aged (Ndola) - Cheshire Homes Society of Zambia in Chawama (Lusaka) - Matero After Care Centre (Lusaka)	Payment towards the 2020 Christmas Donations. Each Old People's Home was allocated K50,000.	K150,000

Signed on behalf of the Trustees on **28 April 2021** by:

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TRUSTEE

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TRUSTEE

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Part II of the First Schedule of the National Pension Scheme Act, No. 40 of 1996 requires the Trustees to prepare:

- an audited statement of financial position (statement of net assets available for benefits);
- an audited statement of income and expenditure (statement of changes in net assets available for benefits); and
- such other information as the Minister may require.

In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- follow International Financial Reporting Standards; and
- preparing the financial statements in accordance with the applicable reporting framework, and on the going concern basis unless it is inappropriate to presume that the Authority will continue in business

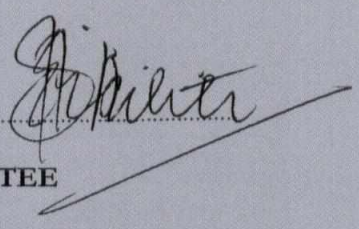
The Trustees are responsible for ensuring that the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Grant Thornton, have audited the annual financial statements and their report is shown on pages 22 to 25.

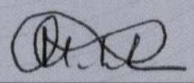
The Trustees are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Trustees the financial statements are drawn up so as to present fairly the financial activities of the Authority for the year ended 31 December 2020 and its financial position as at that date, and have been prepared in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act, No. 40 of 1996.

Signed on behalf of the Trustees on **28 April 2021** by:



TRUSTEE



TRUSTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NATIONAL PENSION SCHEME AUTHORITY

Report on the financial statements

Opinion

We have audited the financial statements of National Pension Scheme Authority set out on pages 26 to 72, which comprise the statement of net assets available for benefits as at 31 December 2020, the statement of changes in net assets available for benefits, the statement of movements in accumulated funds and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of National Pension Scheme Authority as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA" code), together with ethical requirements that are relevant to our audit of the financial statements in Zambia. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NATIONAL PENSION SCHEME AUTHORITY

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.

Key audit matters	How our audit addressed the key audit matters
Measurement of Financial Assets	
Due to the complex and subjective nature of judgements made in the assumptions by the Directors over the measurement of financial assets this was considered a key audit matter.	Our procedures included but were not limited to the following:
• The Directors are required to apply the forward-looking approach to recognize expected credit losses based on IFRS 9's impairment requirements.	• Assessing the design and implementation of the impairment model adopted with focus on compliance with the requirements of IFRS 9: "Financial Instruments". • Reviewing management's evaluation of possible outcomes and the probability of occurrence. • Checking the reasonableness of the information and ensuring the information was supported with reference to past events, current conditions as well as forecast of the future.
• Further, in assessing the fair value of financial assets, the Directors use a variety of valuation methods based on the classification of assets and make assumptions that are based on market conditions and other relevant valuation data existing at each reporting date.	• Obtained the analysis prepared by management in calculating the fair value of the assets. • We evaluated management's valuation assumptions and changes in assumptions to ensure they were reasonable and consistent with market information and other relevant valuation data. • Performed audit procedures over the valuation and accounting of investments in financial assets, to ensure that the valuation inputs applied to various valuation techniques were reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NATIONAL PENSION SCHEME AUTHORITY

Other information
The Trustees are responsible for the other information. The other information comprises the Trustees' Report as required by the National Pension Scheme Act No. 40 of 1996, which we obtained prior to the date of this auditors' report, and the annual report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements
The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act No. 40 of 1996, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
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.

- 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 authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NATIONAL PENSION SCHEME AUTHORITY

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Trustees' 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 authority'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 auditors' report. However, future events or conditions may cause the authority 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.

We communicate with the Trustees regarding, amongst 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 the Trustees 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 the Trustees, 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 auditors' 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

National Pension Scheme Act No. 40 of 1996 requires that in carrying out our audit, we consider and report to you on the following matter: We confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

Chartered Accountants

Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm

Lusaka

Date: 28 April 2021

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 K	2019 K
Net assets available at beginning of the year		31,695,790,944	25,249,315,781
Member service operations:			
Contributions from members		4,078,526,334	4,260,318,932
Pension claims and withdrawals	6	(424,142,955)	(404,008,311)
Normal retirement pensions	7	(410,278,233)	(336,073,825)
ZNPF claims	6	(458,863,459)	(413,795,786)
Funeral grants		(20,673,118)	(18,966,529)
		2,764,568,569	3,087,474,481
Investment operations:			
Investment income	8	7,783,244,256	5,025,279,038
Change in market value of investments	23	389,003,986	(311,677,719)
Impairment loss on loans and advances	16.8	(795,416,747)	(322,087,660)
Impairment recovery on stocks and bonds	14.2	(10,800,000)	1,100,000
Impairment loss on term deposits	14.1	-	(6,293,955)
Impairment loss on housing inventory	17	(1,184,470)	(3,122,536)
Handling fees		(29,051,797)	(17,954,890)
Bad debts provision	21	(2,463,334)	(29,857,509)
Net exchange gains/(losses)	9	334,868,648	(633,209)
Tax expense	10	(516,176,483)	(384,553,212)
		7,152,024,059	3,950,198,348
Management expenses:			
Employee benefit expenses	11	(393,686,331)	(320,418,591)
Administration expenses	12	(196,625,834)	(182,259,605)
Depreciation expense	24	(63,546,705)	(87,243,811)
Gain/(loss) on disposal of equipment		1,384,430	(1,275,659)
		(652,474,440)	(591,197,666)
Increase in net assets		9,264,118,188	6,446,475,163
Net assets available at end of the year		40,959,909,132	31,695,790,944

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2020

	Note	2020 K	2019 K
MEMBERS' INTEREST			
Members Funds		40,959,909,132	31,695,790,944
Represented by:			
ASSETS			
Investments			
Government securities	13	18,247,969,749	15,658,086,768
Other securities	14	6,763,421,561	6,556,216,815
Equity investments	15	3,078,863,724	1,121,099,640
Loans and advances	16	6,560,075,124	3,704,226,338
Housing inventory	17	138,753,801	157,799,941
Investment properties	18	5,530,397,735	3,063,930,410
		40,319,481,694	30,261,359,912
Other assets			
Bank and cash balances	19	822,340,943	869,493,470
Employee receivables	20	5,398,653	3,262,008
Other receivables	21	353,342,444	149,805,718
Consumable stores		3,615,617	1,568,909
Contributions receivable	22	452,145,190	664,612,068
Property and equipment	24	114,896,198	129,847,878
		1,751,739,045	1,818,590,051
TOTAL ASSETS		42,071,220,739	32,079,949,963
LIABILITIES			
Income tax liabilities	10	(98,178,588)	(101,241,991)
Provisions for claims payable	26	(32,151,600)	(7,286,600)
Other payables and accrued expenses	27	(971,988,697)	(271,140,277)
Deferred liabilities	28	(8,992,722)	(4,490,151)
TOTAL LIABILITIES		(1,111,311,607)	(384,159,019)
NET ASSETS AVAILABLE FOR BENEFITS		40,959,909,132	31,695,790,944

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 21. The financial statements on pages 26 to 72 were approved by the Board of Trustees on **28 April 2021** and were signed on its behalf by:

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TRUSTEE

TRUSTEE

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS FOR THE YEAR ENDED 31 DECEMBER 2020

	Annuity Account K	Accumulated funds K	Total K
At 1 January 2019	26,601	25,249,289,180	25,249,315,781
Surplus of income over expenditure for year	-	6,446,475,163	6,446,475,163
Balance at 31 December 2019	26,601	31,695,764,343	31,695,790,944
Surplus of income over expenditure for year	-	9,264,118,188	9,264,118,188
Balance at 31 December 2020	26,601	40,959,882,531	40,959,909,132

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 K	2019 K
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net assets		9,264,118,188	6,446,475,163
Adjusted for:			
Depreciation expense	24	63,546,705	87,243,811
Income tax expense	10	516,176,483	384,553,212
Dividend income		(52,434,422)	(29,129,738)
Investment income		(7,730,809,835)	(4,996,149,300)
Change in fair value of investment property	18	(368,979,221)	(3,490,895)
Impairment loss on loans and advances		795,416,747	322,087,660
(Reversal)/Impairment loss on stocks and bonds		10,800,000	(1,100,000)
Impairment loss on term deposits		-	6,293,955
Impairment loss on housing inventory		1,184,470	3,122,536
Change in fair value of Government Securities	13	193,060,388	123,866,143
Change in fair value of listed securities	15	(213,085,154)	191,302,470
Loss on disposal of property and equipment		(1,384,430)	1,275,659
		2,477,609,919	2,536,350,676
Movement in working capital:			
Increase in Government securities		(2,782,943,368)	(3,172,877,758)
Increase in other securities		(218,004,746)	(1,542,325,869)
Increase in equity securities		(1,744,678,931)	-
Increase in loans and advances		(3,651,265,533)	(1,114,802,235)
(Increased)/decrease in employee receivables		(2,136,645)	47,459
Decrease/(increase) in contribution receivables		212,466,878	(427,694,662)
Increase/(decrease) in deferred liabilities		4,502,571	(3,788,022)
Increase in other receivables		(203,536,727)	(18,299,428)
Decrease in inventories		15,814,962	57,754,838
Increase in other payables and accruals		725,713,421	17,655,294
Cash used in operations		(7,644,068,118)	(6,204,330,383)
Income tax paid	10	(519,239,886)	(359,368,855)
Net cash utilised in operations		(5,685,698,085)	(4,027,348,562)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property and equipment	24	(49,859,870)	(63,374,419)
Proceeds on disposal of property and equipment		2,649,275	1,502,954
Purchase of investment properties	18	(2,097,488,104)	(295,712,507)
Dividends received		52,434,422	29,129,738
Investment income		7,730,809,835	4,996,149,300
Net cash generated from investing activities		5,638,545,558	4,667,695,006
Net cash (outflows)/inflows for the year		(47,152,527)	640,346,504
Cash and cash equivalents at beginning of the year		869,493,470	229,146,966
Cash and cash equivalents at end of the year		822,340,943	869,493,470
Comprising:			
Bank and cash balances		822,340,943	869,493,470

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

The National Pension Scheme Authority (the "Authority") was established by the National Pension Scheme Act No. 40 of 1996 (the "Act"). The Authority has the sole management rights and control of the National Pension Scheme. The principal activities of the Authority are to manage the National Pension Scheme and pay pension benefits to members. The Authority became operational on 1 February 2000.

The main objective of the Authority is to implement the policy relating to the National Pension Scheme as stipulated in the Act. The Authority is mandated to manage the Scheme so as to ensure that at all times it is in a state of actuarial soundness, financially sustainable, fair in its benefit distribution and is affordable.

Under the Act and its regulations, the Authority took over the liabilities of members who contributed to a saving Scheme established under the repealed Zambia National Provident Fund Act (the "ZNPF Act"). Members of the former Fund may, at their election, and on the conditions subsisting under the Act and its regulations, convert their accrued rights to the National Pension Scheme to improve their benefits payable under the Scheme. Members who exercise this option shall receive a month's credit for every four months of contributions under the Zambia National Provident Fund.

Notwithstanding the repeal of the ZNPF Act, the Authority, as custodian, continues to pay benefits to members qualifying under the rules in the repealed ZNPF Act.

The address of Authority's registered office and principal place of business are disclosed in the financial statements on page 3.

2 NEW OR REVISED STANDARDS OR INTERPRETATIONS

2.1 New standards and amendments that are effective at 1 January 2020 and are applicable to the Authority

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore, been adopted do not have a significant impact on the Authority's financial results or position.

2.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Authority

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Authority.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Authority's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments 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.

The Board of Trustees have, at the time of approving the financial statements, a reasonable expectation that the Authority has 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Authority has consistently applied the following accounting policies to all periods presented in these financial statements.

3.3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Authority's functional currency. All amounts have been rounded to the nearest Kwacha except as otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Functional and presentation currency (continued)

a) Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K).

Transactions and balances

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the statement of changes in net assets in the period in which they arise.

Transactions in foreign currencies are translated into Kwacha at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

Finance income and finance cost

The Authority's finance income and finance costs include:

- Interest income; and
- Interest expense.

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Functional and presentation currency (continued)

Finance income and finance cost (continued)

b) The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- Interest income and expense on all trading assets and liabilities are considered to be incidental to the Authority's trading operations and are presented together with all other changes in the fair value of equity investments held for trading.
- Foreign currency exchange gain or loss.

3.4 Contribution income

The National Pension Scheme requires eligible employers to remit contributions for each month by the 10th of the following month. Accordingly, contributions receivables are accounted for as received by the Authority from 11th of January 2020 to the 11th of January 2021 (due date fell on this day since 10th January 2021 was a non-working day). At the reporting date, the Authority accrued, as receivable, contributions received from 1 January 2021 to 11 January 2021. The Authority does not recognise contributions receivable from defaulting employers as the amount is not reliably determinable.

The contribution rate is set at 10% of the employee's gross wages subject to a ceiling. The rate is shared equally at 5% between the employer and the employee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Dividend income

Dividend revenue from investments is recognised when the Authority's right to receive payment has been established.

3.6 Interest revenue

Interest revenue comprises interest from financial assets. Interest revenue is recognised when it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.7 Housing revenue

Revenue from the sale of inventory items largely comprises sale of housing units. Housing revenue is recognised as control of a housing unit is passed at the point of handing over a unit to a customer. Factors that indicate that control of a unit passes from the Authority to a buyer include, but not limited to; (a) the Authority has transferred physical possession of the unit (b) the customer has the significant risks and rewards related to ownership of the unit (c) the customer has accepted the unit in its current condition. The Authority satisfies its performance obligation when a customer has fully paid for a unit.

3.8 Inventories

The Authority's inventory comprises largely housing units constructed for sale as well as consumable stores. Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Authority uses two bases of determining the costs of inventories due to their differing characteristics. Costs of consumables are determined on a first-in-first out basis. The weighted average method is applied in arriving at the cost of housing inventory. In applying the weighted average method, the Authority considers the total cost of the project as incurred and the estimated cost of completing each unit type. A determined fraction is then used in arriving at a cost of each unit type.

3.9 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, for which it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Property and equipment

All property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of property and equipment over their estimated useful lives, on a straight-line basis, at the following annual rates:

Furniture and fittings	8 years
Computer equipment	3 years
Motor vehicles	4-5 years
Right of use assets	3 years

Capital work in progress is not depreciated.

Management has estimated the residual values of the property and equipment at 31 December 2020 to be negligible and for purpose of the financial statements have been assigned a nil value.

3.11 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in statement of changes in net assets available for benefits 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 the disposal. Any gain or loss 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 statement of changes in net assets available for benefits in the period in which the property is derecognised.

3.12 Impairment of tangible assets

At the end of each reporting period, the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of changes in net assets available for benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of tangible assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of changes in net assets available for benefits.

3.13 Employee retirement benefits

The Authority operates a pension scheme for its employees, comprising both defined benefit and defined contribution schemes. The Authority's defined benefit scheme is actuarially valued at intervals of not more than three years. Funding shortfalls arising in the defined benefit scheme are met through lump sum payments into the Scheme or increased future contributions. Severance liabilities in respect of collective agreements with unionised employees are assessed annually.

The Authority provides for retirement benefits for all employees on non-fixed term contracts as provided for in the Authority's conditions of service.

For contract employees, gratuity is payable at the end of the contract period. Contract periods range from one to three years.

3.14 Leasing

i) **Leased assets**

The Authority as a lessee

The Authority considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Authority assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority.
- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Authority has the right to direct the use of the identified asset throughout the period of use.

The Authority assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leasing (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Authority recognises a right-of-use asset and a lease liability on the statement of net assets available for benefits. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Authority, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Authority depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Authority also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Authority measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Authority's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Authority has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of net assets available for benefits, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in other liabilities.

The Authority as a lessor

As a lessor the Authority classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

ii) Leasehold improvements and equipment

Recognition and measurement

Items of leasehold improvements and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of leasehold improvements and equipment have different useful lives, then they are accounted for as separate items (major components) of leasehold improvements and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leasing (continued)

ii) Leasehold improvements and equipment (continued)

Recognition and measurement (continued)

Any gain or loss on disposal of an item of leasehold improvements and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance are expensed.

3.15 Financial instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument. At initial recognition, the Authority measures all its financial instruments at fair value plus or minus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability.

The Authority's objective is to hold its financial assets after acquisition within a business model by collecting contractual cashflows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes). The contractual terms of the Authority's most financial assets give rise on specified dates to cashflows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

3.15.1 Financial assets and liabilities

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in statement of changes in net assets available for benefits.

3.15.2 Financial assets measured at amortised cost

The Authority classifies a financial asset as subsequently measured at amortised cost when (a) an asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding on a specified date. The Authority's financial assets classified as measured at amortised cost include those securities (infrastructure bond and medium-term notes) whose rates are linked to specified benchmark interest rates. The following other securities are also classified and accounted for at amortised cost (i) placements with counterparties (ii) rental debtors (iii) loan receivables (iv) sundry receivables.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (continued)

3.15.3 Financial assets at fair value through profit or loss (FVTPL)

The Authority designates, at initial recognition, some financial assets at fair value through profit or loss. These financial assets mainly comprise Government bonds and Treasury bills. Subsequent to initial recognition, the Authority measures the financial assets at fair value by discounting the expected future cash flows at the effective yield rates prevailing in the market at the measurement date, with changes in fair value recognised in the statement of changes in net assets available for benefits.

3.15.4 Financial assets at fair value through other comprehensive income (FVTOCI)

The equity investments that are neither held for trading nor contingent consideration recognised by the acquirer in a business combination. At initial recognition, the instruments are classified as at FVTOCI, with the subsequent changes in fair value recognised in other comprehensive income (OCI). The Authority has not elected to classify its equity investments as at FVTOCI.

The Authority classifies all its equity investments as measured at fair value in the statement of net assets available for benefits, with changes in fair value recognised in profit or loss.

Listed redeemable notes held by the Authority that are traded in an active market are classified as measured at FVTPL and are stated at fair value at the end of each reporting period. The Authority also has investments in unlisted shares that are not traded in an active market but that are also classified as at FVTPL and stated at fair value at the end of each reporting period (unless the Trustees consider that fair value cannot be reliably measured). Changes in the carrying amount of monetary financial assets relating to changes in interest income calculated using the effective interest method and dividends on equity investments are recognised in profit or loss. Other changes in the carrying amount of financial assets classified as at FVTOCI are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss.

Dividends on equity instruments are recognised in profit or loss when the Authority's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (continued)

3.15.5 Financial assets

Impairment of financial assets

The Authority assesses its financial assets for impairment on the basis of a 'three-stage' model (general model) from initial recognition. The three-stage model for impairment is based on changes in credit quality since initial recognition of the financial assets. These three-stages determine the amount of impairment recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest income recorded in future periods.

The Authority's financial assets, classified as measured at amortised cost or FVTOCI, could be at any of the following stages:

Stage 1 Financial instruments that have not had a significant increase in credit risk since initial recognition or that (at the option of the Authority) have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 Financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the Authority) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 Financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

In estimating ECLs, the Authority considers a range of possible outcomes. At a minimum, the Authority considers that (a) a credit loss occurs; and (b) no credit loss occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (continued)

3.15.6 Derecognition of financial assets

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.15.7 Financial liabilities and equity instruments

The Authority's principal financial liabilities are benefits payable and sundry payables. Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and equity instrument. Benefits payable and sundry payables are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.14.7.1 Derecognition of financial liabilities

The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

3.15.8 Fair value

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists. The estimated fair values of financial instruments have been determined by the Authority using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Authority could realise in a current market exchange. The carrying amounts of the financial assets and liabilities approximate their fair values.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Authority's accounting policies, which are described above, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations below, that the Trustees have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Impairment losses on loans receivable

In determining whether an impairment loss should be recorded in the statement of changes in net assets available for benefits, the Authority makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the group, or local economic conditions that correlate with defaults on assets in that group. The Authority assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 16 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

4.1.2 Impairment losses on housing inventory

The fair value of assets is determined by using market rates and in some cases where there is no active market by using valuation techniques. The Authority uses its judgement and makes assumptions that are mainly based on market conditions existing at the reporting date. For housing inventory, the lower of cost and net realisable value was used.

4.1.3 Fair value

The fair value of assets is determined by using market rates and in some cases where there is no active market by using valuation techniques. The Authority uses its judgement and makes assumptions that are mainly based on market conditions existing at the reporting date.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Recoverability of rental debtors

During the year, management reconsidered the recoverability of rental debtors arising from investments properties which is included in its Statement of Net Assets Available for Benefits. At end of each annual reporting period, the Authority makes an estimate of the recoverability of the rental debtors and an allowance for doubtful debts.

4.2.2 Useful lives of property and equipment

The Authority reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Furniture and fittings	8 years
Computer equipment	3 years
Motor vehicles	4 to 5 years
Right of use assets	3 years

Management has estimated the current useful lives to still be appropriate and to apply the same useful lives.

4.2.3 Claims payable

The Authority is involved in various ongoing litigation cases whose ultimate resolution may result in loss to the Authority. The Authority reviews the estimated losses each year and provisions are made at the Trustees' best estimate of the likely outcome of those cases.

4.2.4 Actuarial valuation assumptions

Actuarial assumptions made in determining the present obligation of retirement benefits as disclosed on Note 5.

5. ACTUARIAL DEFICIT

In accordance with Section 44 (2) of the National Pension Scheme Act No. 40 of 1996, the Scheme's actuarial obligation is required to be assessed on a tri-annual basis by independent actuaries. The last actuarial valuation was carried out as at 31 December 2017. This was a combined valuation of the Provident Fund and Pension Scheme necessitated by the Authority's decision for the Pension Scheme to take over the liabilities of the Provident Fund. There was need to ascertain the financial impact on the Scheme. The actuarial valuation report is available for examination by the members at the National Pension Scheme Authority Head office.

The following results were obtained from the actuarial valuation:

Pension Scheme	**Long records* K' billion**	**Short records* K' billion**
Value of benefits accrued	41	35
Assets	22	22
Deficit	(19)	(13)

The key assumptions used in the valuation were:	%
Valuation interest rate	13
Long term inflation rate	7.5
Expected rate of return on Scheme assets	Earning +5%
Future salary increases	11
Future pension increases	11
Mortality rate	
Men	19.4
Women	21.8

In accordance with IAS 26 paragraph 28 (b), the Authority has elected to disclose the actuarial deficit and not record it as a liability on the statement of net assets available for benefits. The actuarial deficit is K19 billion based on long records and K13 billion based on short records.

The statement of net assets available for benefits therefore does not reflect the Actuarial present value of the promised retirement benefits.

*** Long records**

Where members have contributed for at least 180 months or more and qualify for a pension.

*** Short records**

Where members contributed for less than 180 months and qualify for a pension under the sliding scale.

Significant actuarial assumptions for the determination of the actuarial deficit or surplus include discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

5. ACTUARIAL DEFICIT (CONTINUED)

Long records

	Earnings +5% K'Billion	Earnings- 0% K'Billion	Earnings -5% K'Billion
Value of scheme liabilities	41	115	657
Assets	22	22	22
Deficit	(19)	(93)	(635)
Fund status	54.9%	19.5%	3.4%

Short records

	Earnings +5% K'Billion	Earnings 0% K'Billion	Earnings -5% K'Billion
Value of scheme liabilities	35	91	500
Assets	22	22	22
Deficit	(13)	(69)	(478)
Fund status	63.4%	24.6%	4.5%

The Scheme is designed to be financed on a scaled premium basis and is therefore not fully financed. However, the Scheme is still a young scheme and benefits expenditure can be expected to increase significantly as additional members (with longer contribution records) draw their benefits. The break-even contribution rate is projected to remain below the current rate of 10% until around 2045 to 2050 depending on the scenario considered either short or long periods.

6. PENSION CLAIMS AND WITHDRAWALS

Pension Scheme	2020 K	2019 K
Retirement Lumpsum	115,986,713	128,544,335
Survivors Lumpsum	52,256,621	55,145,644
Invalidity refund	572,734	666,036
Refund of contributions	57,310	-
	168,873,378	184,356,015
Indexed payments	240,105,550	208,074,787
Interest on refund	15,164,027	11,577,509
	255,269,577	219,652,296
	424,142,955	404,008,311

The indexed payment is meant to help a member's income maintain a certain level of buying power in line with the determined wage inflation. In addition to the indexation, interest is paid on the Members' contributions using the rate as determined by the Authority.

From 2006, the Authority has been paying pensions to members who qualified under the reduced criteria (sliding scale). In November 2018, the Authority discontinued the application of the sliding scale following the Supreme Court judgement in a matter where a member challenged its validity. As from February 2015, the Scheme has fully insured members who are now qualifying based on a full criterion of 180 months of contributions. Additionally, members who reach the retirement age but have not made 180 contributions are given a lumpsum payment comprising principal contributions, indexation amount and interest.

6. PENSION CLAIMS AND WITHDRAWALS (CONTINUED)

Provident Fund	2020 K	2019 K
Interest on benefits	348,187,175	323,601,823
Home ownership	708,943	2,713,496
Age	61,557,718	53,785,368
Survivors	47,303,689	33,471,037
Disability	320,207	224,062
Savings	785,727	-
	458,863,459	413,795,786

Various lump sum payments are made to Members who contributed to the Zambia National Provident Fund.

7. NORMAL RETIREMENT PENSIONS

	2020 K	2019 K
Normal retirement pensions	410,278,233	336,073,825

In accordance with the National Pension Scheme Act No. 40 of 1996 and amendment Act No. 7 of 2015, Members qualify for payment of pension following retirement from employment as follows;

Early retirement (accrued rights)	50 years
Normal retirement (accrued rights)	55 years
Early retirement (new)	55 years
Normal retirement (new)	60 years
Late retirement (new)	65 years

The pension payments made in 2020 relate to Members who have qualified after making 180 contributions by their retirement age.

The year 2006 was the first year in which Members qualified to be paid a retirement pension under the sliding scale.

The Authority in 2018 discontinued the award of pensions to members under the sliding scale, which was a reduced criterion for those aged between 39 and 48 years at inception of the Scheme on 1 February 2000. This followed the Supreme Court Judgement of 25th October 2018 which annulled the sliding scale as provided under Regulation 3 of the National Pension Scheme Statutory Instrument No. 71 of 2000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. INVESTMENT INCOME

	2020 K	2019 K
Gross interest income on Government Bonds	4,370,139,888	2,766,231,712
Gross interest income on Treasury bills	473,075,251	332,105,389
Interest income on fixed term deposits	1,303,456,873	1,038,040,307
Infrastructure loan – National Road Fund Agency (NRFA)	1,024,608,201	483,889,610
Infrastructure loan – Kafue Gorge Lower Hydro Power Project	148,228,420	-
Society House Development Company Limited (SHDCL)	354,262,073	299,275,880
Loan – Industrial Development Corporation (IDC)	26,658,755	-
Net rental income	(6,594,866)	45,175,791
Interest on cash deposits	29,835,346	19,830,776
Dividends from equities	52,434,422	29,129,738
Interest income on other stocks and bonds	3,816,652	6,266,688
Sundry income	3,323,241	5,333,147
	7,783,244,256	5,025,279,038

9. NET EXCHANGE GAINS/(LOSSES)

Foreign exchange losses	(5,999,913)	(1,134,032)
Foreign exchange gains	340,868,561	500,823
	334,868,648	(633,209)

This denotes translation of monetary assets and liabilities quoted in foreign currencies and US dollar denominated bank account balances for the Authority.

10. TAXATION

The Authority is exempt from income tax under the terms of the Second Schedule to the Income Tax Act, 1996 (as amended) except as follows: under the terms of the income tax amendment Act 3 of 2003 interest arising from Treasury bills ("T-bills") or Government bonds is subject to withholding tax at source at 15% with effect from 1 April 2003; the tax withheld at source is also the final tax. The discount income for government bonds is not subject to tax beginning 1 January 2016. Furthermore, the Authority is required to pay withholding tax on rental receipts at a rate of 10% following the removal of the exemption on withholding tax on rent for statutory bodies.

	2020 K	2019 K
10.1 Withholding tax @ 15% on interest on Treasury bills and Government bonds	508,659,077	372,514,695
Tax on rental receipts	7,517,406	12,038,517
	516,176,483	384,553,212
10.2 Included under current liabilities		
Payable in respect of previous year	101,241,991	76,057,634
Payable in respect of the current year	516,176,483	384,553,212
	617,418,474	460,610,846
Payments during the year	(519,239,886)	(359,368,855)
Current tax liabilities	98,178,588	101,241,991

11. EMPLOYEE BENEFIT EXPENSES

	2020 K	2019 K
Salaries and other staff benefit costs	369,332,624	300,361,655
Pension costs	24,353,707	20,056,936
	393,686,331	320,418,591

11.1 The Authority runs an in-house pension scheme for non-fixed contract staff in which it pays its share of contributions. The in-house pension scheme operates independently from the Authority and manages both the defined contribution and defined benefit schemes. The defined benefit scheme was closed to new members in 2007.

11.2 The in-house pension scheme has rules which specify that the Authority has no recourse over the actuarial surplus and accordingly, the surplus is not recorded in the Authority's accounting records.

11.3 The last actuarial valuation was completed for the year ended 31 December 2017 and the report was issued in August 2018 by Quantum Consultants and Actuaries (Zambia) Limited, an independent firm of actuaries, using the Attained Age Method. According to the valuation at that date, the actuarial present value of promised retirement benefits was:

	K
Pension plan assets	205,071,000
Liability to members	(162,833,000)
Surplus	42,238,000

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Valuation method		Attained Age Method
Rate of interest		12% per annum
Rate of pension increase		5% per annum
Rate of revaluation in deferment		5% per annum
Mortality	- Pre- retirement	A49/52 Ultimate table
	- Post retirement	A (55) Males/females ultimate table
Number of members		25

On the basis of the Attained Age Method of valuation, the rate of contribution required to meet the cost of future accrual of benefit in respect of DB Scheme members is estimated at 17.75% of DB Scheme members' total Pensionable Salaries which, net of members' contributions at 10%, gives the Sponsor's required contribution rate of 7.75% of DB Scheme Members' Pensionable Salaries. This is before any adjustments are made for the actuarial surplus disclosed by the actuarial valuation.

The plan typically exposes the Authority to actuarial risks such as interest rate risk, salary risk and mortality risk. Increases or decreases in these actuarial risks may result in an increase or decrease of the actuarial surplus.

The actuarial valuation results of the DB Scheme are sensitive to the actuarial assumptions made. The actuarial assumptions reflect one view of likely future events and there is therefore uncertainty as to how the financial position of the DB Scheme will develop in future. There is no guarantee that the assumptions made will be borne out in practice and the expectation is that the DB Scheme's actual experience will from time to time be better or worse than that assumed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. ADMINISTRATION EXPENSES	2020 K	2019 K
Advertising and promotion	11,457,294	18,260,876
Appointments	3,294,536	3,709,667
Audit fees	2,000,000	1,357,559
Authority expenses	3,926,773	4,357,332
Bank charges	2,218,900	1,667,306
Books and magazines	582,552	631,604
Building and repairs	3,422,548	1,498,192
Business research and projects	6,685,168	12,757,653
Cleaning materials	368,187	481,929
Computer expenses	26,316,332	29,378,354
Corporate Social Responsibility	1,783,490	1,131,640
Donations and grants	196,352	167,892
Electricity and water	2,440,906	1,735,748
Employer seminars	10,491	931,673
Interest expense	34,409	33,159
Internet and related charges	4,989,621	-
Legal fees	28,966,690	4,276,360
Motor vehicle expenses	9,593,617	9,975,314
Office and related expenses	2,490,252	10,176,073
Other expenses	13,251,943	8,345,461
Printing and stationery	720,556	3,814,358
Professional fees CSO	950,000	852,400
Relocation costs	11,840	119,920
Rent	8,516,504	25,566,289
Sports expenses	22,421,610	16,346,508
Staff welfare and training	5,069,762	7,148,417
Support to national biometric project	18,423,534	-
Telephone and postage	978,933	518,736
Travelling expenses	15,503,035	17,019,185
	196,625,834	182,259,605

13. GOVERNMENT SECURITIES		
Government bonds	16,416,232,592	13,097,803,229
Treasury bills	1,831,737,157	2,560,283,539
	18,247,969,749	15,658,086,768

13.1 Government bonds

At beginning of year	13,097,803,229	12,165,991,952
Purchases	8,399,072,212	4,269,839,133
Bonds matured during the year	(4,895,835,838)	(3,201,302,054)
Change in fair value	(184,807,011)	(136,725,802)
At end of the year	16,416,232,592	13,097,803,229
Maturity analysis:		
2 to 5 year Government bonds	8,218,307,783	8,338,758,393
7 to 15 year Government bonds	8,197,924,809	4,759,044,836
	16,416,232,592	13,097,803,229

The Authority holds Government bonds with varying interest rates between 9% and 15%. Interest is receivable semi-annually. The bonds mature on diverse dates between February 2021 and June 2035.

GOVERNMENT SECURITIES (CONTINUED)

		2020	2019
		K	K
13.2	**Treasury bills**		
	At beginning of the year	2,626,742,094	443,083,201
	Purchases	3,000,916,742	2,757,223,800
	Maturities during the year	(3,787,668,303)	(652,883,121)
	Change in fair value (note 23)	(8,253,377)	12,859,659
	At end of the year	1,831,737,157	2,560,283,539
	Total Government securities	18,247,969,748	15,658,086,768
13.3	**Fair value movement**		
	Government bonds	(184,807,011)	(136,725,802)
	Treasury bills	(8,253,377)	12,859,659
		(193,060,388)	(123,866,143)
	OTHER SECURITIES		
	Fixed term deposits	6,384,372,028	6,536,808,980
	Other stocks and bonds	379,049,533	19,407,835
		6,763,421,561	6,556,216,815
	Movement in Other Securities:		
	At beginning of the year	6,556,216,815	5,021,967,566
	Purchases	10,484,158,987	6,299,315,979.
	Receipts	(10,155,121,234)	(4,765,066,730)
	Term deposit reclassified to equity (Note 15(b))	(121,833,007)	-
	At end of the year	6,763,421,561	6,556,216,815
14.1	**Fixed term deposits**		
	ABSA Bank Zambia Plc	252,334,247	788,570,552
	Access Bank Zambia Limited	352,058,389	294,591,096
	Atlasmara Limited	343,390,481	514,347,610
	Cavmont Capital Bank Limited	-	81,173,453
	Development Bank of Zambia	87,162,224	104,630,724
	Ecobank Limited	530,134,912	289,318,201
	First Alliance Bank Limited	169,384,845	33,095,618
	First Capital Bank	208,521,547	-
	First National Bank Limited	168,926,869	300,307,954
	Indo-Zambia Bank Limited	887,678,583	1,202,393,750
	Industrial Development Corporation	-	60,095,343
	Investrust Bank Plc	51,883,699	57,750,236
	National Savings Bank	437,979,452	310,913,956
	Stanbic Bank Zambia Limited	1,232,154,030	700,519,779
	Standard Chartered Bank Zambia Plc	-	510,735,780
	United Bank of Africa Limited	155,767,808	50,498,630
	Zambia Industrial Commercial Bank	-	108,984,384
	Zambia National Building Society	79,596,312	79,556,080
	Zambia National Commercial Bank Plc	1,433,692,586	1,055,619,790
		6,390,665,984	6,543,102,936
	Less impairment*	(6,293,956)	(6,293,956)
		6,384,372,028	6,536,808,980

* The Authority did not receive the maturity proceeds from the fixed term deposits held with Development Bank of Zambia ("DBZ"), which became due in 2019. However, DBZ paid the accrued interest thereon on a consistent basis. At the end of the reporting period, the bank had paid a total sum of K31 million towards the outstanding interest. A total of K87 million comprising principal of K81 million and accrued interest of K6 million was still outstanding at the reporting date. This includes the impairment loss made in 2019 to reflect the default risks.

The investment in fixed term deposits in DBZ is secured with collateral.

14. OTHER SECURITIES (CONTINUED)

14.2 Fixed Term Deposits (previously held by the Provident Fund) in Companies in liquidation

	2020 K	2019 K
Capital Bank Limited (In Liquidation)	430	430
Commerce Bank Limited (In Liquidation)	1,365,977	1,365,977
Credit Africa Bank Limited (In Liquidation)	793,790	793,790
First Merchant Bank Limited (In Liquidation)	847,187	847,187
UniFinance Zambia Limited (In Liquidation)	119,837	119,837
Union Bank Limited (In Liquidation)	231,762	231,762
Union Bank Limited (In Liquidation)	299,850	299,850
Union Leasing Zambia Limited (In Liquidation)	202,835	202,835
United Bank of Zambia Limited (In Liquidation)	80,517	80,517
	3,942,185	3,942,185
Less: Provision	(3,942,185)	(3,942,185)
	-	-

	2020 K	2019 K
14.3 **Other stocks and bonds**		
Stanbic Bank Zambia Ltd (a)	13,666,805	13,728,770
Madison Financial Services Plc (b)	-	6,479,065
Industrial Development Company Ltd (c)	376,982,729	-
Meridian BIAO Bank Limited (In liquidation)	11,252	11,252
	390,660,785	20,219,087
Less: Impairment provision	(11,611,252)	(811,252)
	379,049,533	19,407,835
Movement in impairment provision		
At beginning of year	811,252	1,911,252
Impairment/(reversal) loss recognised in the year	10,800,000	(1,100,000)
At end of year	11,611,252	811,252

(a) **Stanbic Bank Zambia Limited**

This consists of 1 corporate bond with maturity of 5 years. The corporate bond is denominated in Zambian Kwacha and bears interest on a floating rate at 182 days Treasury bills + 450 basis points margin. It is due to mature in July 2021.

(b) **Madison Financial Services Plc**

This is a 5 year corporate bond denominated in Zambian Kwacha. The bond bears interest on a floating rate at 182 days Treasury Bills + 450 basis points margin. The bond reached its maturity and was redeemed in December 2020.

(c) **Industrial Development Company Limited**

This is a corporate bond with maturity of 7 years under the economically targeted asset class. The bond is denominated in Zambian Kwacha and has a coupon of 15 percent per annum payable semi-annually. It is due to mature in May 2027.

15. EQUITY INVESTMENTS

	2020 K	2019 K
Investments in shares listed on LuSE (note 15.1)	1,521,376,936	1,099,656,371
Investment in Society House Development Company (note 15.3)	19,630,853	19,630,853
Investment in Levy Business Park Hotel (note 15.3)	17,844,345	17,844,345
Zambia Industrial Commercial Bank Limited (b)	168,533,007	46,700,000
Share previously held by Provident Fund (note 15.2)	2,205,980	2,205,980
Investment in Marcopolo Tiles	272,885,611	-
Investment in MTN Zambia Limited	287,277,372	-
Investment in Wonderful Industries Zambia Limited	854,047,530	-
	3,143,801,633	1,186,037,549
Less Impairment	(64,937,909)	(64,937,909)
	3,078,863,724	1,121,099,640

Impairment comprises the following:

(a) The impairment of K16,031,929 relates to the value of the 683,956 disputed Lafarge Cement Zambia Plc shares.

(b) There is an impairment of K46.7 million relating to the value of shares held in Zambia Industrial Commercial Bank. The equity investment relates to a fixed term deposit previously held in the defunct Intermarket Banking Corporation Limited, prior to conversion into shares upon ZICB taking over its operations. Further, the Authority increased its equity interest in ZICB through a conversion of another fixed term deposit of K121.83 million [including interest accrued thereon].

(c) The shares previously held in the name of the closed Zambia National Provident Fund (as shown in Note 15.1)

15.1 Investments in shares listed on LuSE

The movements in investment in shares listed during the year were as follows:

	2020 K	2019 K
At beginning of the year	1,099,656,371	1,290,958,841
New acquisitions`	211,780,557	-
Disposal of shares	(3,145,145)	-
Change in fair value	213,085,154	(191,302,470)
At end of the year	1,521,376,936	1,099,656,371
Fair value Movement		
Shares	213,085,154	(191,302,470)

The equity investments comprised shares in the following entities:

NAPSA	No. of shares	Share price	2020 Market Value	2019 Market Value
ZCCM - Investments Holdings Plc	24,120,043	38.80	935,857,668	686,938,825
Zambia Sugar Plc	30,788,019	2.55	78,509,448	76,970,047
Standard Chartered Bank Plc	39,873,975	1.40	55,823,565	64,994,580
Zambeef Products Plc	24,797,819	1.10	27,277,601	22,318,037
Lafarge Zambia Plc	9,499,942	2.07	19,664,880	18,524,887
Puma Energy Zambia Plc	49,972,746	0.80	39,978,197	48,973,291

15. EQUITY INVESTMENTS (CONTINUED)

15.1 Investments in shares listed on LuSE (continued)

NAPSA	No. of shares	Share price	Market Value	Market Value
Zambia National Commercial Bank Plc	140,355,063	0.47	65,966,880	70,177,531
Real Estate Investments Zambia Plc	5,691,431	0.39	2,219,658	25,554,525
National Breweries Plc	1,400,000	9.21	12,894,000	12,894,000
Metal Fabricators of Zambia Plc	3,290,567	4.78	15,728,910	15,761,815
British American Tobacco Zambia Plc	6,394,439	1.80	11,509,990	12,149,434
Copperbelt Energy Corporation Plc	15,779,333	1.10	17,357,267	19,724,167
CEC Africa Plc	-	-	-	2,840,280
Prima Re-Insurance Plc	4,281,895	2.80	17,983,958	11,989,306
Pamodzi Hotel Plc	4,164,607	0.62	2,582,056	2,582,056
African Explosives Zambia Plc	293,798	20.50	6,022,859	6,169,758
Cavmont Capital Holdings Plc	-	-	-	1,093,832
ZAFFICO Plc	100,000,000	2.12	212,000,000	-
			1,521,376,936	1,099,656,371

15.2 Provident Fund

Commerce Bank Limited (In Liquidation)	2,157,780,000	0.0010	2,157,780	2,157,780
Development Bank of Zambia	4,505	10.000	45,050	45,050
Zambia Consumers Buyers Co-operative (In Liq.)	500,000	0.0005	2,500	2,500
Lima Bank Limited (In Liquidation)	500,000	0.001	500	500
Kapiri Glass Products Limited (In Liquidation)	150,000	0.001	150	150
			2,205,980	2,205,980
Less: Impairment provision			(2,205,980)	(2,205,980)
			-	-

The shares above are in the name of the closed Zambia National Provident Fund.

15.3 Investments in Levy Business Park Hotel Limited and Society House Development Company Limited

The Authority in line with its investments guidelines holds 100% interest in Special Purpose Vehicles (SPVs), namely Society House Development Company Limited and Levy Business Park Hotels Limited. As there is no reliable measure of the fair value of these investments at the reporting date, the investment has been carried at cost. In subsequent reporting periods, the Authority will revalue these investments when a reliable measure will be available.

Equity investments in special purpose vehicles comprised of shares in the following entities:

	2020 K	2019 K
Investment in Society House Development Company Ltd	19,630,853	19,630,853
Investment in Levy Business Park Hotels Ltd	17,844,345	17,844,345
	37,475,198	37,475,198

16. LOANS AND ADVANCES

This asset class mainly relates to loans for real estate and infrastructure that the Authority has advanced.

	2020 K	2019 K
Receivable from:		
National Road Fund Agency Loan (Note 16.1)	3,893,146,509	2,808,761,706
Kafue Gorge Lower Hydro Power Project (Note 16.2)	2,766,134,814	-
Society House Development Company Limited (Note 16.3)	-	2,205,876,271
Phantom Exchange (Note 16.4)	2,362,592	2,362,592
Socially targeted Loans (Note 16.5)	66,644,193	62,472,468
Livingstone Market and Bus- Station Management Company Limited (Note 16.5 (ii))	35,694,873	11,689,285
Other Receivables (Note 16.6)	1,067,087	1,067,087
	6,765,050,068	5,092,229,409
Impairment provision (Note 16.7)	(204,974,943)	(1,388,003,071)
	6,560,075,124	3,704,226,338

16.1 National Road Fund Agency Loan (NRFA)

This is an investment in the road sector under the debt finance to National Road Fund Agency (NRFA). Initially, the debt facility was K2.1 billion intended for the construction of the North corridor road stretching from Ndola to Solwezi and included the construction of road toll plazas. Under a restructured debt facility, the loan was increased by a further K1.8 billion to a total sum of K3.9 billion after the initial loan facility was fully disbursed in 2019. The additional investment is intended to finance the completion of the stretch covering Chingola and Solwezi roads as well as construction of Solwezi to Kipushi road.

Under the revised terms of the agreement, the debt instrument is benchmarked to a 15-year Government bond without any added margin and is secured with enhanced collateral via an escrow agreement. The tenor of the debt facility was also extended from 10 years to 15 years.

At the reporting date, the loan outstanding stood at K3.9 billion comprising the principal amount of K3.6 billion and accrued interest of K264 million.

16.2 Kafue Gorge Lower Hydro Power Project

This is an investment in the energy sector through a 20-year debt instrument of $190 million. The facility is intended to fund the completion of the Kafue Gorge Lower Hydro Power Plant with the generation capacity of 750MW power. In line with the financing agreement, the Industrial Development Company (IDC) Limited would access financing for on-lending to Zambia Electricity Supply Company Limited through its energy sector special purpose vehicle, Zambia Power Limited.

At the reporting date, a sum of $123 million was disbursed under the facility on which interest income of $7.2 million had accrued, translating to Kwacha equivalent of K2.8 billion.

16.3 Society House Development Company Limited ('SHDCL")

This is a special purpose vehicle created in line with the Concession Agreement between the Authority and Zambia National Building Society ("ZNBS") to carry out the redevelopment of and operate the Society House and Central Arcades, now referred to as "Society Business Park", a property located in the central business district of Lusaka and which formerly housed ZNBS's head office. The redevelopment comprised of a hotel, shopping mall, office space and a structured parking space, which had been fully funded by the Authority.

16. LOANS AND ADVANCES (CONTINUED)

16.3 Society House Development Company Limited ('SHDCL") (continued)

The Concession was for a period of 20 years at the end of which the Authority would be paid 50 percent of the market value of the redeveloped property as terminal value. In addition, interest income on the loan and dividend income when declared during the Concession period would be paid fully to the Authority.

In terms of loan recoverability, the Authority determined that the advances made thus far would only be recoverable beyond the Concession period of 20 years. Therefore, the Authority made a proposal to Zambia National Building Society to purchase the Project Assets (Society House and Central Arcades). On 30th December 2020, a Sale Agreement was reached and signed by both parties (NAPSA and ZNBS) for the Authority to acquire a stake held by ZNBS in the Society Business Park at a total sum of K230 million.

At the reporting date, the loan to SHDCL was fully discharged through transfer of asset to the Authority following a purchase agreement. The Society Business Park was recognised at K843 million, being the fair value of the asset as determined in 2018.

16.4 Phantom Exchange

The Authority guaranteed a loan in the sum of K3 million granted to Phantom Exchange Limited by Stanbic Bank Limited. Subsequently Phantom defaulted on its loan repayment and the Authority paid Stanbic bank the outstanding amount.

The Authority subsequently sued and obtained judgement against Phantom for the payment of the guaranteed sum plus interest.

16.5 Socially Targeted Loans

(i) Under the socially targeted investment class, the Authority disbursed a total sum of K49 million under a mortgage facility to its staff. At the reporting date, the loan receivable stood at K67 million comprising solely the principal outstanding.

(ii) In May 2019, the Authority extended its investment in socially targeted assets via a loan facility in the sum of K33 million to its special purpose vehicle (SPV), Livingstone Market and Bus-Station Management Company Limited, for the completion of the modern Bus Terminus and Market in Livingstone. A total sum of K32 million was disbursed towards the project at the end of the reporting period.

	2020 K	2019 K
16.6 Other receivables		
Government	971,145	971,145
Parastatal and private sector	88,227	88,227
Local Authorities	7,715	7,715
	1,067,087	1,067,087

16. LOANS AND ADVANCES (CONTINUED)

16.7 Impairment provisions

	2020 K	2019 K
The provisions are comprised of the following:		
Phantom Exchange	2,362,592	2,362,592
Other receivables	1,067,087	1,067,087
National Road Fund Agency	124,000,000	56,000,000
Society House Development Company Limited	-	1,327,789,385
Kafue Gorge Lower Hydro Power Project	74,000,000	-
Livingstone Market and Bus-Station Company Limited	3,545,264	784,007
Balance at end of the year	204,974,943	1,388,003,071
Balance at the beginning of the year	1,388,003,071	535,195,312
Impairment loss recognised in the year	795,416,747	322,087,660
Impairment provision derecognised	(1,978,444,874)	-
Accrued interest differential	-	530,720,099
Balance at the end of the year	204,974,943	1,388,003,071

The SHDCL loan was discharged in December 2020 after the Authority acquired a stake worth K230 million, previously held by Zambia National Building Society (ZNBS), in the Society Business Park. At the reporting date, the Authority was the sole owner of Society Business Park valued at K843 million.

17. HOUSING INVENTORY

	2020 K	2019 K
Housing inventory:		
Inventory - Northgate Gardens	62,915,476	85,932,339
Inventory - Kalulushi Housing	71,680,557	87,231,593
Inventory - Nyumba Yanga	50,900,042	50,900,042
Inventory - River View Park	408,500	408,500
Inventory – Chinsali Housing	6,160,363	-
	192,064,937	224,472,474
Impairment loss	(53,311,135)	(66,672,533)
	138,753,801	157,799,941

Movement in impairment on housing inventory	2020 K	2019 K
Balance at beginning of the year	66,672,533	96,033,606
Impairment derecognised on inventories (sale of houses)	(14,545,867)	(32,483,609)
Impairment recognised on inventories	1,184,470	3,122,536
Balance at end of the year	53,311,135	66,672,533

The Authority wrote down the value of housing inventory by K1.2 million to reflect the net realisable value.

		2020 K	2019 K
18.	**INVESTMENT PROPERTIES**		
	Balance at beginning of the year	3,063,930,410	2,764,727,008
	Additions	2,097,488,104	295,712,508
	Changes in fair value	368,979,221	3,490,894
	Balance at end of the year	5,530,397,735	3,063,930,410

(a) **Fair value measurement of the Authority's investment properties**

The Authority's portfolio of investment properties comprises properties that are under development, parcels of bare land acquired through outright purchase and debt swaps with District Councils and commercial buildings for rent as well as housing units for sale. The fair value model is applied to account for investment properties which are revalued on a continuing basis to reflect the carrying amounts that approximate to the market values of similar properties. The Authority contracts professional independent valuers, holding recognised professional qualifications and are registered members of the Valuation Surveyors Registration Board, to value its investment properties.

During the year, the Authority contracted the valuation services of Five Stars Properties, who are registered valuation surveyors to revalue all its investment properties. The properties include all Ex ZNPF properties, Levy Business Park, Kalulushi shopping complex and school building at Kalulushi Housing Complex, Edgar Chagwa Lungu (ECL) Business Park, River View Park, Makeni Housing Project, Record Centre at River View Park Project and parcels of bare land. Further, the Authority continued its investments in real estate such as the construction of Mosi-Oa-Tunya Livingstone Resort in Livingstone, NAPSA Club House, Mufulira Mixed Use Development, as well as refurbishment of selected Ex ZNPF properties.

At the reporting date, the Authority also held other investment properties including the following: (a) housing units for sale at Ibex Hill and Nyumba Yanga Project in Lusaka, and (b) prime land in the Baobab Area of Makeni. The Ibex Hill Gardens and the Nyumba Yanga Highrise Flats were offered for sale in 2019 at market value. The Baobab land was acquired during the reporting period and therefore was not revalued.

(b) **Fair value hierarchy**

The fair value measurement for investment property of K5,530,397,735 (31 December 2019: K3,063,930,410) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

The Trustees are of the view that the valuation of these properties approximates their fair values.

(c) **Valuation technique and significant unobservable inputs used**

Various valuation techniques were applied in determining the fair value of property. The selection of the valuation method was aided by several factors including the following: bases and premises of value; purpose of valuation; strength and weaknesses of the appropriate method; and the availability of appropriate information needed to apply the method. Further, the method adopted in arriving at the fair values was premised on the property type. In this regard, the following valuation techniques were applied:

Item Number	Property Type	Valuation Method
1	Commercial (offices)	Investment Method
2	Retail (Shopping Malls)	Discounted Cashflow Technique/Investment Method
3	Vacant Land	Market Approach
4	Residential	Market Approach
5	Hotels	Profits Method

18. INVESTMENT PROPERTIES (CONTINUED)

(c) Valuation technique and significant unobservable inputs used (continued)

The following table shows the significant unobservable inputs used and sensitivity.

Significant unobservable inputs	Sensitivity
The following are the significant unobservable inputs	The estimated fair value would increase/ (decrease) if:
• Expected market rental growth (Weighted average 10%).	• Expected market rental growth were higher/ (lower);
• Void periods (average 2 to 6 months after the end of each cancelled lease).	• Void periods were shorter/(longer);
• Occupancy rate (92-95% weighted average (93.5%).	• The occupancy rate were higher/(lower);
• Rent-free periods (2-month period on new leases).	• Rent-free periods were shorter/(longer); or
• Risk-adjusted discount rates (weighted average 8%).	• The risk-adjusted discount rate were lower/ (higher).

19. BANK AND CASH BALANCES

	2020 K	2019 K
Bank balances held at various banks	822,340,943	869,493,470

20. EMPLOYEE RECEIVABLES

Staff loans and advances	5,465,784	3,284,944
Bad debts provision	(67,131)	(22,936)
	5,398,653	3,262,008
Movement in allowance for doubtful debts		
Balance at the beginning of year	22,936	22,936
Impairment losses recognised	44,195	-
Balance at end of the year	67,131	22,936

		2020 K	2019 K
21.	**OTHER RECEIVABLES**		
	Rental receivables	168,551,653	181,439,717
	VAT recoverable	192,966,062	126,020,122
	Dividend receivables	12,930	12,930
	Prepayments	143,850,939	4,747,164
	Sundry receivables	17,066,606	4,228,196
		522,448,190	316,448,129
	Bad debt provision	(169,105,746)	(166,642,411)
		353,342,444	149,805,718
	Movement in allowance for doubtful debts		
	Balance at the beginning of year	166,642,411	136,784,902
	Impairment losses (derecognised)/ recognised on receivables	2,463,335	29,857,509
	Amounts recovered during the year	-	-
	Balance at end of the year	169,105,746	166,642,411
22.	**CONTRIBUTIONS RECEIVABLE FROM MEMBERS**		
	Member contributions	452,145,190	664,612,068

Contributions receivable from members represents the statutory contributions as required by the National Pension Scheme Act, No. 40 of 1996 which requires the employer and employee to contribute 5% each of the gross earnings into the Scheme, subject to the contribution ceiling.

The Authority's policy requires that contribution income is accounted for on the basis of receipts from 11 January of each year to 10 January of the following year. Contribution income from 1 January to 11 January 2021 (the 10th of January 2021 was a non-working day) recognised in 2020 amounted to K452,145,190 (2019: K664,612,068).

Other than contributions received between 1 January and 11 January 2021, the Authority received member contributions during the year which were partially receipted by year end owing to partial returns submitted by the contributing employers.

23. CHANGE IN MARKET VALUE OF INVESTMENTS

	Note	Value at 1 January 2020	Purchases at cost	Receipts	Change in market value	Value at 31 December 2020
Equity	15.1	1,099,656,371	211,780,556	(3,145,145)	213,085,154	1,521,376,936
Government Bonds	13.1	13,097,803,229	8,399,072,212	(4,895,835,837)	(184,807,012)	16,416,232,592
Treasury bills	13.2	2,626,742,094	3,000,916,742	(3,787,668,303)	(8,253,377)	1,831,737,156
Other securities	14	6,556,216,815	10,484,158,987	(10,276,954,241)	-	6,763,421,561
Investment property	18	3,063,930,410	2,097,488,104	-	368,979,221	5,530,397,735
		26,444,348,919	**24,193,416,601**	**(18,963,603,526)**	**389,003,986**	**32,063,165,980**

24. PROPERTY AND EQUIPMENT

24.1 Owned property and equipment

	Leased office buildings	Motor vehicles	Office furniture, equipment and fittings	Capital Work in Progress	Total
Cost					
Balance at 1 January 2019	-	80,258,435	54,238,768	97,434,633	231,931,837
Additions	1,254,460	24,057,301	37,540,659	522,000	63,374,419
Reclassification	-	-	97,956,633	(97,956,633)	-
Disposals	-	(7,709,342)	(288,843)	-	(7,998,186)
Balance at 31 December 2019	1,254,460	96,606,394	189,447,217	-	287,308,071
Additions	35,958	26,072,692	23,751,221	-	49,859,870
Disposals	-	(5,368,775)	(308,688)	-	(5,677,462)
Balance at 31 December 2020	1,290,418	117,310,311	212,889,750	-	331,490,479
Accumulated depreciation and impairment					
Balance at 1 January 2019	-	42,926,516	32,509,439	-	75,435,955
Charge for the year	396,145	13,551,599	73,296,067	-	87,243,811
Eliminated on disposal	-	(4,945,878)	(273,695)	-	(5,219,573)
Balance at the 31 December 2019	396,145	51,532,238	105,531,810	-	157,460,193
Charge for year	418,855	15,018,515	48,109,334	-	63,546,705
Eliminated on disposal	-	(4,157,946)	(254,671)	-	4,412,617)
At 31 December 2020	815,000	62,392,807	153,386,474	-	216,594,281
Carrying amount					
At 31 December 2020	475,417	54,917,504	59,503,276	-	114,896,198
At 31 December 2019	858,315	45,074,156	83,915,407	-	129,847,878

24. PROPERTY AND EQUIPMENT (CONTINUED)

24.2 Leased office buildings

The right-of-use assets by class of assets is as follows:

Buildings	Carrying amounts	Depreciation expense	Impairment
	475,417	418,855	-

The Authority includes the right-of-use assets in the same line item in the statement of net assets as it would present the corresponding underlying assets if they were owned.

25. CAPITAL COMMITMENTS

As at 31 December 2020 the Authority had capital commitments of K100 million (2019: K170 million).

26. PROVISIONS FOR CLAIMS PAYABLE

Claims payable include ongoing litigation cases whose ultimate resolution will, in the Trustees' view result in loss to the Authority. The amounts accrued are at Trustees' best estimate of the likely outcome of those claims.

	2020 K	2019 K
At the beginning of the year	7,286,600	7,286,600
Charge for the year	4,865,000	1,500,000
Paid during the year	-	(1,500,000)
At the end of the year	12,151,600	7,286,600

27. OTHER PAYABLES AND ACCRUED EXPENSES

	2020 K	2019 K
Provisions	85,654,314	53,817,744
Other creditors	684,643,729	69,254,767
Lease liability	992,490	1,052,567
Accrued expenses	53,873,254	25,756,276
Amounts due to related parties	41,479,713	38,437,284
Deposit on sale of houses	105,345,196	79,248,974
Collateral held on investments	-	-
	971,988,697	267,567,612

27.1 Collateral Held on investments

This relates to funds received from collateral securities that matured in the books of the Authority. At the reporting date, the Authority had transferred all proceeds from collateral maturities to its counterparties.

27.2 Collateral Held by the Authority

As at 31 December 2020, the Authority held collateral worth K2.1 billion in form of Government bonds and Treasury bills in respect of Fixed Term deposits.

	2020 K	2019 K
27.3 Lease liabilities		
Current	879,941	104,655
Non-current	112,549	947,912
	992,490	1,052,567

27. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

27.3 Lease Liabilities (continued)

The lease liability relates to the rented office building in Kafue District. The lease commenced on 1st April 2017 for a period of fifty-nine (59) months and expires in March 2022.

Movement in lease liabilities:	2020 K	2019 K
At beginning of the year	1,052,567	-
Leases on transition to IFRS 16	-	1,158,291
Adjustment to liability	38,359	
Lease repayments during the year	(565,081)	(190,539)
Exchange loss	466,645	84,815
At end of the year	992,490	1,052,567

The lease liabilities are denominated in US dollar, the currency in which rent for offices is payable.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of net assets available for benefits as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Authority's income) are excluded from the initial measurement of the lease liability and asset. The Authority classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Authority to sublet the asset to another party, the right-of-use asset can only be used by the Authority. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Authority is prohibited from selling or pledging the underlying leased assets as security. For leases over commercial premises the Authority must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Authority must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

27. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

27.3 Lease Liabilities (continued)

The table below describes the nature of the Authority's leasing activities by type of right-of-use asset recognised on the statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Motor vehicles				-	-	-	-
Land & buildings	1	1 to 2 years	1.25 years	-	-	-	-

The Authority has leases for K992,940. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments due						
	Within 1 year K'	1-2 years K'	2-3 years K'	3-4 years K	4-5 years K	After 5 years K	Total K
31 December 2020							
Lease payments	890,021	123,936					1,031,957
Finance charges	17,960	3,507					21,467
Net present values	872,061	120,429					992,490
30 December 2019							
Lease payments	463,192	631,237					1,094,429
Finance charges	27,568	14,294					41,862
Net present values	388,981	663,586					1,052,567

Lease payments not recognised as a liability

The Authority has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

27. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

27.3 Lease Liabilities (continued)

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 December 2020 K	31 December 2019 K
Short-term leases		
Leases of low value assets	370,479	343,094
Variable lease payments	-	-
Total	**370,479**	**343,094**

27.4 Other Creditors

The other creditors include an amount of K514 million owing for the shares bought in Wonderful Ceilings Limited and the unpaid balance of K130 million relating to the acquisition of the former Society House and Central Arcades (a stake previously held by ZNBS in the Society Business Park).

28. DEFERRED LIABILITIES

Deferred liabilities comprise provisions for retirement benefits and other employee provisions estimated to become payable after more than one year. The movements on the account during the year were as follows:

	2020 K	2019 K
At beginning of the year	4,490,151	8,278,173
Charge for the year	6,401,834	6,291,218
Paid during the year	(1,899,262)	(10,079,240)
At end of the year	8,992,722	4,490,151

29. CONTINGENT LIABILITIES

On 10th June 2020, Government announced the Cabinet approval of the closure of the Zambia National Provident Fund member accounts through payments of benefits to all its existing members. The total benefits payments to wind down the Fund would be K4.1 billion. At the reporting date, the Fund had not been closed as the amendments to the enabling legislation had not been tabled before Parliament.

30. RELATED PARTY TRANSACTIONS

In the context of the Authority, related party transactions include any transactions made with any of the following persons:

- The Government;
- Members of the Board of Trustees;
- Key management personnel;
- NAPSA Staff Pension Scheme;
- Levy Business Park Hotel Limited;
- Society House Development Company Limited;
- Garden Court Hotel and
- Hilton Garden Hotel

30. RELATED PARTY TRANSACTIONS (CONTINUED)

The transactions to be reported are those that affect the Authority in making financial and operating decisions. Examples of such transactions include:

- Finance (loans);
- Procurement and investment contracts;
- Disposal of assets; and

The Authority undertakes to disclose the nature of related party relationships, types of transactions, and the elements of the transactions necessary for the understanding of the annual financial statements.

The financial impact of transactions with related parties at the end of the year are as follows:

	2020 K	2019 K
(a) Amounts due from subsidiaries		
Society House Development Company Limited	-	2,205,876,271
Credit loss provision	-	(1,327,789,385)
	-	878,086,886

The loan has been disclosed on Note 16

(b) Amounts due to subsidiaries		
Levy Business Park Hotel Limited (Note 27)	41,479,713	38,437,284

The amount relates to the funds from the subsidiary which the Authority is investing on its behalf. The increase in the funds is the accrued interest earned thereon in the sum of K3 million during the year.

	2020 K	2019 K
(c) Other receivables		
National Road Fund Agency (note 16)	3,893,146,509	2,808,761,706
Impairment provision	(124,000,000)	(56,000,000)
	3,769,146,509	2,752,761,706
Recoverable from the Ministry of Labour and Social Security	559,155	559,155
Government loans	187,463	187,463
Parastatal and private sector	88,227	88,227
Interest on Government loans	23,746	23,746
Local Authority loans	2,918	2,918
	861,509	861,509

(d) Compensation to Trustees

The remuneration to Board and Committee members during the year was as follows:

	2020 K	2019 K
Allowances and expenses	3,926,773	4,357,332

(e) Compensation to key management personnel

The remuneration to key management personnel during the year was as follows:

Salaries and allowances	17,540,797	12,691,268
Gratuity	-	8,273,427
	17,540,797	20,964,695

31. FAIR VALUE MEASUREMENTS

Fair value measurements of financial instruments

Some of the Authority's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

*This amount excludes prepayments and VAT receivable.

Financial asset	Fair value hierarchy	Valuation techniques	2020 K	2019 K
Listed securities	Level 1	(i)	1,505,345,007	1,083,624,442
Government bonds	Level 2	(ii)	16,416,232,592	13,097,803,229
Treasury bills	Level 2	(ii)	1,831,737,157	2,560,283,539
Other stocks and bonds	Level 2	(ii)	379,049,533	19,407,835

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities on the Lusaka Securities Exchange.

(ii) Level 2 – Discounted cash flows are estimated based on Bank of Zambia rates observable on Treasury bills & GRZ bonds at the end of the reporting period.

(iii) Level 3 – Inputs are unobservable inputs for the asset or liability.

31. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial Assets	2020		2019	
	Carrying Amount K	Fair Value K	Carrying Amount K	Fair Value K
Loans and receivables				
Loans and advances	6,560,075,124	6,560,075,124	3,704,226,338	3,704,226,338
Contribution receivables	452,145,190	452,145,190	664,612,068	664,612,068
Bank and cash balances	822,340,943	822,340,943	869,493,470	869,493,470
Other receivables*	12,525,443	12,525,443	19,038,432	19,038,432
Employee receivables	5,398,653	5,398,653	3,262,008	3,262,008
	7,852,485,353	7,852,485,353	5,260,632,316	5,260,632,316

At 31 December 2020, the Authority did not have financial liabilities measured at fair value (2019: nil)

31. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of the Authority's financial assets that are measured at fair value on a recurring basis (continued)
Fair value hierarchy

	Fair value hierarchy as at 31 December 2020			
	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets				
Government securities	-	18,247,969,749	-	18,247,969,749
Other securities	-	379,049,533	6,384,372,028	6,763,421,561
Equity Investments	1,505,345,007	-	1,573,518,717	3,078,863,724
Loans and advances	-	-	6,560,075,124	6,560,075,124
Bank and cash balances	-	-	822,340,943	822,340,943
Contributions receivables	-	-	452,145,190	452,145,190
Other receivables*	-	-	12,525,443	12,525,443
Employee receivables	-	-	5,398,653	5,398,653
Total	1,505,345,007	18,627,019,282	15,810,376,098	35,942,740,387

	Fair value hierarchy as at 31 December 2019			
	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets				
Government securities	-	15,658,086,768	-	15,658,086,768
Other securities	-	19,407,835	6,533,236,315	6,552,644,150
Equity investments	1,083,624,442	-	37,475,198	1,121,099,640
Loans and advances	-	-	3,704,226,338	3,704,226,338
Bank and cash balances	-	-	869,493,470	869,493,470
Contributions receivables	-	-	664,612,068	664,612,068
Other receivables*	-	-	19,038,432	19,038,432
Employee receivables	-	-	3,262,008	3,262,008
Total	1,083,624,442	15,677,494,603	11,831,343,829	28,592,462,874

32. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks, including credit risk and the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by management under policies approved by the Board of Trustees. Management identify and evaluate the financial risks.

32.1 Market risk

(i) Fair value interest rate risk

The Authority's interest-bearing assets are mostly at fixed rate (fixed term deposits, treasury bills and Government bonds). Few other assets including Infrastructure Debt instrument and medium-term notes are at rates benchmarked to the yield rates for Government securities. Movements in yield rates for GRZ securities expose the Authority to interest rate risks.

(ii) Equity market prices

The Authority is exposed to equity market price risk arising from changes in market prices of shares and investment securities. Equity market price risk arises from recognised equity investments and investment securities.

At 31 December 2020, if the market prices had strengthened by 10%, increase in net assets for the year would have been K150,534,501 higher (2019: K108,362,444) mainly as a result of equity investments.

At 31 December 2020, if the market prices had weakened by 10%, decrease in net assets for the year would have been K150,534,501 lower (2019: K108,362,444) mainly as a result of equity investments.

32.2 Credit risk

Credit risk arises from cash and cash equivalents, corporate bonds and deposits with banks, as well as other receivables. The Board assesses the credit quality of each investment, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the Board of Trustees.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

32.2 Credit risk (continued)

The Authority's maximum exposure to credit risk at 31 December 2020 is as follows:

	2020 K	2019 K
Government securities (note 13)	18,247,969,749	15,658,086,768
Fixed term deposits (note 14)	6,384,372,028	6,533,236,315
Equity investments (note 15)	3,078,863,724	1,121,099,640
Other receivables (note 21)	353,342,444	149,805,718
Cash and cash equivalents (note 19)	822,340,943	869,493,470
Other bonds (note 14)	379,049,533	19,407,835
	29,265,938,421	24,351,129,746

Collateral is held on certain fixed term deposits.

None of the above assets are past due or impaired except for the following amounts in rental debtors (which are due within 30 days of the end of the month in which they are invoiced):

	2020 K	2019 K
Debtors due within 30 days	168,551,653	181,439,717
Provision for bad debts	(168,546,591)	(166,642,411)
	5,062	14,797,306

32.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from member contributions and returns from investments.

Management monitors rolling forecasts of the Authority's liquidity reserve on the basis of expected cash flows.

The table below analyses the Authority's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not considered significant.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

32.3 Liquidity risk (continued)

At 31 December 2020	Less than 1 year K	Between 1 and 2 years K	Total K
Other payables and accrued expenses	971,988,697	-	971,988,697
Deferred liabilities	2,196,260	6,796,462	8,992,722
At 31 December 2019			
Other payables and accrued expenses	271,140,277	-	271,140,277
Deferred liabilities	1,384,726	3,105,425	4,490,151

Provident At 31 December 2020	Less than 1 year K	Between 1 and 2 years K	Total K
Payables	-	-	-
Deferred liabilities	-	-	-

33. COMPARATIVES

Comparatives figures under notes 14 and 27 for 2019 have been reclassified in order to have meaningful comparison with the current year.

34. EFFECTS OF COVID 19

As a result of Covid 19 and its associated effects on entities throughout the world, NAPSA has been equally affected negatively due to the slowdown in the economy. Management anticipates a significant improvement in operations as the economy begins to improve later in 2021 or beyond.

The worst affected sectors included, among others, the hospitality, construction, and transport sectors, which shut down. Consequently, the firms downsized the workforce to reduce the operational costs owing to downturn in business. The reduction in workforce hindered the Authority's ability to increase collection of member contributions. Therefore, the member contributions collected in 2020 were slightly below the target. The Authority further suffered losses on rental revenue.

35. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date requiring disclosure in or adjustment to the financial statements.

APPENDIX I

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 K	2019 K
Contributions receivable from Members	4,078,526,334	4,260,318,932
Benefit claims and refunds	(444,816,074)	(422,974,840)
Normal retirement pensions	(410,278,233)	(336,073,825)
ZNPF payments	(458,863,459)	(413,795,786)
	2,764,568,568	3,087,474,481
Investment operations:		
Investment revenue		
- Interest on Government bonds	4,370,139,888	2,766,231,712
- Interest on treasury bills	473,075,251	332,105,389
- Interest on term deposits	1,303,456,873	1,038,040,307
- Infrastructure loans	1,172,836,621	483,889,611
- SHDCL loans	354,262,073	299,275,880
- Rental income	(6,594,866)	45,175,791
- Dividend income	52,434,422	29,129,738
- Other investments	63,633,994	31,430,610
Handling fees	(29,051,797)	(17,954,890)
Revaluation of equity	213,085,154	(191,302,471)
Surplus on revaluation of investments properties	368,979,221	3,490,894
Surplus on revaluation of financial assets	(193,060,388)	(123,866,142)
Impairment on loan and advances	(795,416,747)	(322,087,660)
Impairment on stocks and bonds	(10,800,000)	1,100,000
Impairment loss on fixed term deposits	-	(6,293,955)
Impairment housing inventory	(1,184,471)	(3,122,536)
Doubtful debts provision	(2,463,334)	(29,857,509)
	7,333,331,894	4,335,384,769
Other operating income:		
- Exchange gains/(losses)	334,868,648	(633,209)
- Gain/(loss) on disposal of plant and equipment	1,384,430	(1,275,659)
	336,253,078	(1,908,868)
Management expenses:		
- Employee benefit expenses	(369,332,624)	(300,361,655)
- Administration expenses	(196,625,834)	(182,259,605)
- Pension cost	(24,353,707)	(20,056,936)
- Depreciation	(63,546,705)	(87,243,811)
	(653,858,870)	(589,922,007)
Surplus of income over expenditure before finance costs and taxation	9,780,294,671	6,831,028,375
	9,780,294,671	6,831,028,375
Surplus of income over expenditure/ for year before taxation	9,780,294,671	6,831,028,375
Income tax expense	(516,176,483)	(384,553,212)
Surplus of income over expenditure after tax	9,264,118,188	6,446,475,163

APPENDIX II

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2020

ASSETS	2020 K	2019 K
Bank and cash balances	822,340,943	869,493,470
Government and other securities	28,090,255,033	23,335,403,223
Loans and advances	6,560,075,124	3,704,226,338
Employee receivables	5,398,653	3,262,008
Members' contributions receivables	452,145,190	664,612,068
Other receivables	353,342,444	149,805,718
Inventory	3,615,617	1,568,909
Inventory investments	138,753,801	157,799,941
Investment properties	5,530,397,735	3,063,930,410
Property, plant and equipment	114,896,198	129,847,878
TOTAL ASSETS	42,071,220,739	32,079,949,963
LIABILITIES		
Other payables and accruals	971,988,697	271,140,277
Claims payable	32,151,600	7,286,600
Deferred liabilities	8,992,722	4,490,151
Current tax liabilities	98,178,587	101,241,991
	1,111,311,607	384,159,019
TOTAL ASSETS LESS LIABILITIES	40,959,909,132	31,695,790,944
ACCUMULATED FUNDS	40,959,909,132	31,695,790,944