2022
ANNUAL REPORT

PUBLIC SERVICE PENSIONS FUND
(PSPF)

PUBLIC SERVICE PENSIONS FUND

KEEPING YOUR PENSION PROMISE

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MANDATE

The Public Service Pensions Fund (PSPF) was established by an act of Parliament under Cap 260 of the Laws of Zambia Act No. 35 of 1996. It is a partially funded defined benefits scheme, which provides pension benefits to retired public servants and survivors.

PSPF is financed by pension contributions from the employer (Government) and employees who contribute each at the rate of 7.25% of the pensionable monthly salary. Additional funds are appropriated by parliament to meet the funding gap and payment of early retirement and deceased cases.

The Membership of the Fund is defined by the PSP Act, and comprises staff from the Civil Service, the Teaching service, the Defence Forces, Security Wings and Judiciary.

VISION

Quality Life and a Secured Future for Members and their Dependents.

MISSION

To expeditiously pay the exact benefits whilst providing value added products to secure the future of our members and their dependents.

CORE VALUES

The Core Values of the Fund are:

1. Excellence
2. Professionalism
3. Integrity
4. Customer Focus
5. Accountability
6. Leadership

DEPARTMENTS OF THE FUND

The Fund has four key Directorates namely:

1. Pensions Administration
2. Human Resource and Administration
3. Finance & ICT
4. Investments

EXPLANATORY NOTE

This report has been published after the tenure of the Office of the Board of Directors that presided over the affairs of the Fund during the period under review.

BOARD OF DIRECTORS

Mr. John Kasanga
Board Chairman

Brig. General Nathan Chiselwa
Board Member

Mr. Isaac Ngoma
Board Member

Mrs. Bernadette Muzumbwe Katongo - **Board Member**

Mr. Kayula Chimfwembe
Board Member

Mrs. Musonda Ulaya
Board Member

Mr. Makai Makai
Board Member

Mr. Luwani Soko
Board Member

Mr. Allan Nyirenda
Board Member

Mr. Nicholas Kabaso
Board Member

Evangelist Sepiso Kabalanyana
Board Member

Mr. Chambani Lisulo
Board Member

Mr. Francis P. Nyirenda
Acting Secretary and Chief Executive

EXECUTIVE MANAGEMENT

Mr. Francis P. Nyirenda
Acting Secretary and Chief Executive

Ms. Sampa B. Kangwa
Director - Pension Administration

Mr. Kingsley Kabuta
Acting Director - Finance & ICT

Mrs. Kunda Musonda - Chola
Director - Investments

Mr. Derick Lungu
Director - Human Resource

CHAIRMAN'S REMARKS

It is pleasing to note that the implementation of the 2020-2024 Strategic Plan is bearing fruit in terms of improving service delivery, timely payment of pension benefits and improved financial health of the Fund. This is reflected in the overall performance of the Fund for the period under review. Our resolve and strategic focus is to ensure operational efficiency, provide quality service and ensure financial health and sustainability of the Fund.

For instance, during the period under review, the Total Net Assets registered growth of K4.1 billion compared to K3.5 billion in 2021. Further, the Investment portfolio registered an annualized return of 18% which was 8.1 percentage points above the end of year inflation of 9.9%.

Government support and commitment to the plight of pensioners was also manifested as PSPF received 100% funding of the yearly budget by the end of the first quarter of 2022. In addition, the Treasury was up to date with PMEC contributions and settled the long-standing contribution arrears.

We are glad that with the consistent funding, the waiting period for pensioners to be paid their benefits is being reduced further.

One of the biggest milestones of the year under review was the commissioning of PSPF's biggest investment, the Ultra-Modern Longacres Mall on Alick Nkhata Road which is anticipated to further enhance the investment portfolio of the Fund. Despite a few challenges, the Board and Management are determined to see the Hotel opened within the proposed timeline.

The achievements posted during the year under review could not be realized without the usual Government support through the Financing Gap, Grant, and timely remittance of contributions to PSPF by the treasury. However, as much as there is unwavering Government support in terms of funding, the growing actuarial deficit primarily caused by the continued closure of the Fund to new entrants remains one of the biggest challenges the Fund faces today.

We are, however, optimistic that through constant engagement with Government and other critical stakeholders, the partial closure of the Fund to new entrants will be dealt with so that the goal to be Financially Health and Sustainable is attained by the Fund in the Long Run.

Mr. John Kasanga
Board Chairman
Public Service Pensions Fund Board

CHIEF EXECUTIVE'S REMARKS

Quality Life and a Secured Future for our members during service and after retirement is our commitment as enshrined in the 2020-2024 Strategic Plan and we are happy that even in the Mid Term of its implementation we have continued on a positive trajectory in our quest to attain the strategic objectives.

The highlights of this report are evident of the Board, Management and Staff commitment towards ensuring that the Fund continues to provide quality service and grow its Asset base and investment portfolio.

We are also glad that strides have been made to enhance a risk awareness culture in the institution after lessons learnt from the Covid -19 pandemic era which caused disruption in the 'usual' way of doing business. It is in this regard that the Fund continues to find creative ways of ensuring operational efficiency through technology.

To this effect, the Information and Communications Technology Unit of the Fund has been working tirelessly to provide exceptional service through new innovations such as the Mobile App and USSD and the Call Centre whose development has advanced.

Finally, we are glad that through consistent funding to PSPF by the Government, the Fund has been able to reduce the waiting period from five years to less than three months. We are also glad that the long awaited Longacres Mall, undoubtedly one of the best ultra-modern shopping malls in Zambia was officially opened by the President of the Republic of Zambia, Mr. Hakainde Hichilema who was represented by the Honorable Minister of Finance and National Planning, Dr. Situmbeko Musokotwane MP.

We sincerely thank the Government for the Support as well as all our partners for the milestones achieved during the year under review.

Mr. Francis P. Nyirenda
Acting Secretary and Chief Executive
Public Service Pensions Fund Board

1 Operations of the Fund

1.1 Membership Profile

The total membership of the Fund as of 31st December 2022 stood at 157,701 compared to 156,865 in December 2021. There was an increase of 836 representing 1%. This was mainly due to an increase in retirement cases.

Total membership comprised 95,259 active members and 62,442 Pensioners and Beneficiaries.

Figure 1: 2022 Membership Profile

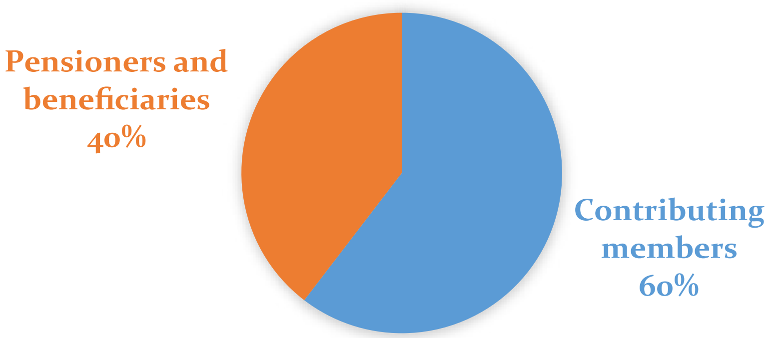
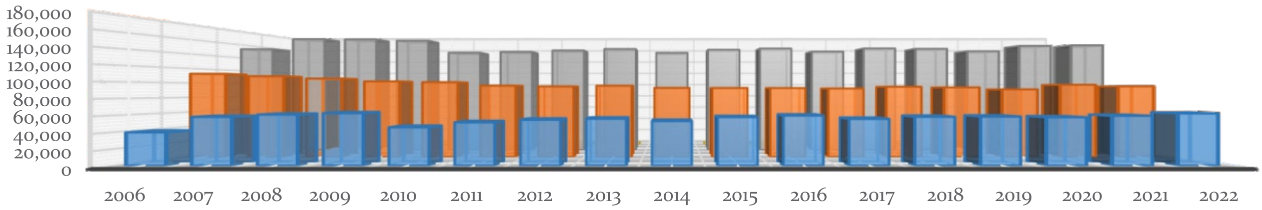


Figure 2: below highlights the membership and dependence ratio from 2006 to 31st December 2022



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pensioners and Beneficiaries	39,791	58,223	60,954	62,755	45,830	51,716	54,827	56,079	53,281	58,008	59,887	55,815	58,363	58,634	57741	59,512	62442
Active members	112,193	108,922	105,805	101,970	100,823	96,182	95,156	96,133	93,135	93,060	92,990	92,365	94,671	93,848	91152	97,353	95259
Total	151,98	167,14	166,75	164,72	146,65	147,89	149,98	152,21	146,41	151,06	152,87	148,18	153,03	152,48	148,89	156,86	157,70
Dependance ratio	0.35	0.53	0.58	0.62	0.45	0.54	0.58	0.58	0.57	0.62	0.64	0.60	0.62	0.62	0.63	0.61	0.66

1.1.1 Analysis of contributing members by Ministry

The PMEC which represents all other Ministries except Defense, Home Affairs and OOP accounted for 44% of total membership followed by Defense and Home Affairs at 26% and 28 % respectively and Office of the President at 2%.

Figure 3: Active members per Ministry

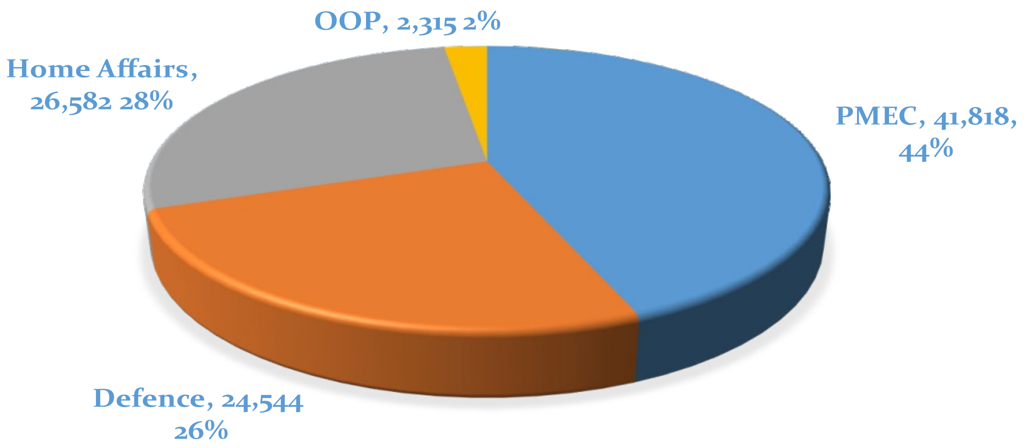


Table 1: Analysis of active members by Gender

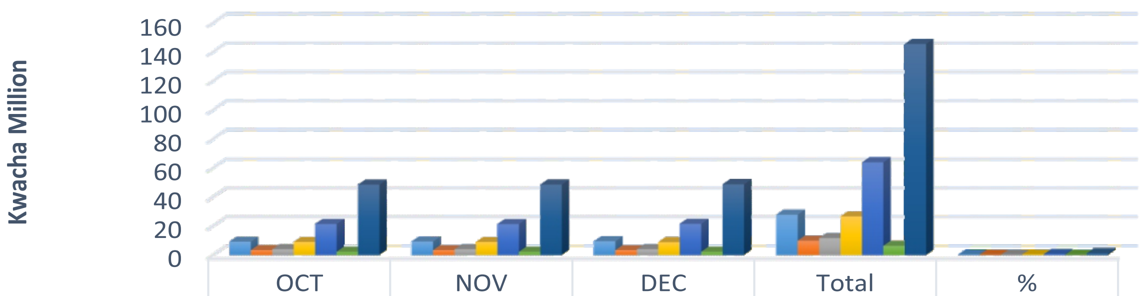
Table 5: Analysis of active members by Gender			
MINISTRY	FEMALE	MALE	TOTAL
ARMY	2,188	12,081	14,269
ZNS	759.00	5,048.00	5,807
ZAF	663	3,805.00	4,468
OOP	645	1,670	2,315
PMEC	29,462	38,938	68,400
TOTAL	**33,717**	**61,542**	**95,259**
%	**35.40%**	**64.60%**	

The gender analysis indicated that female active members stood at 35.4% compared to 64.6% for male active members.

1.2 Member Contributions

Total annual contributions in 2022 stood at K1.15 billion compared to K1.01 billion in 2021 representing an increase of K0.14 billion or 4.5%. The contribution rate stands at 14.5% shared equally between the employer and employee.

Figure 4: 7.25% Contributions as at 31st December 2022



	OCT	NOV	DEC	Total	%
Army	9.087	9.198	9.356	27.641	19%
ZAF	3.242	3.235	3.237	9.714	7%
ZNS	3.84	3.844	3.839	11.523	8%
Home Affairs	8.889	8.888	8.742	26.519	18%
PMEC	21.242	21.184	21.367	63.793	44%
OOP	2.074	2.071	2.077	6.222	4%
Total	48.374	48.42	48.618	145.412	100%

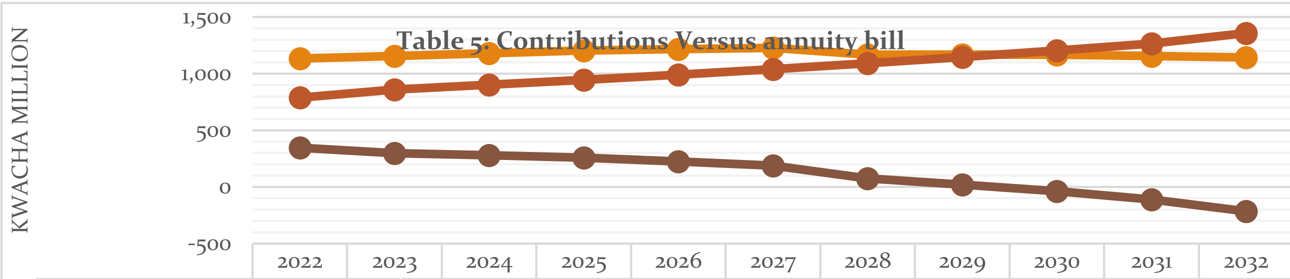
1.3 Monthly pension to pensioners and beneficiaries

The total annual annuity bill was K783.45 million (K65.29 million per month) for an average number of 62,442 pensioners and beneficiaries compared to K647.9 million (K54 million per month) for an average number of 59,512 pensioners and beneficiaries per month in 2021. The increase is attributed to the rise in the number of retirement cases.

Table 2: Annual annuity bill for the year 2022 and 2021

	2022	2021	Variance
Average no. of pensioners	62,442	59,512	2,930
Annuity bill K 'million per annum	K783.45	647.9	136
Average Annuity bill per month K 'million	K65.29	53.9	11

Figure 5: Contributions Versus annuity bill



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Contributions	1,134	1,157	1,180	1,203	1,215	1,228	1,166	1,166	1,166	1,155	1,143
Annuity bill	788	858	901	944	991	1,040	1,092	1,146	1,203	1,266	1,358
Variance	346	299	279	259	224	188	74	20	-37	-111	-215

Gender analysis of pensioners and beneficiaries

The Gender analysis on pensioners and beneficiaries has overall 74% male and 26% female. However, on individual categories it shows 8% male and 92% female on spouses and 42% male and 58% female on guardians.

Table 4: Gender analysis as of 31st December 2022

	MALE	%	FEMALE	%	TOTAL
Members	31,572	74.0%	11,093	26.0%	42,665
Spouses	1,464	8%	16,831	92%	18,295
Guardians	622	42%	860	58%	1,482
Total	33,658		28,784		62,442

1.5 Lumpsum pension benefits paid.

In 2022, a total of K2.75 billion was paid to 3,940 Pensioners and Beneficiaries towards lump sum pension arrears compared to K2.59 billion paid in 2021 to 3,307 Pensioners and Beneficiaries. There was an increase of about K0.16 billion or 6% from 2021 payments. A total of K1.70 billion or 62% was paid out to 2,084 statutory retirement cases and K1.05 billion or 38% was paid to 1,856 early /death retirement cases.

Table 5: Lump Sum Benefits Paid in 2022 and 2021

Category	January to December 2021		January to December 2021	
	No. of cases	**Amount K' million**	**No. of cases**	**Amount K' million**
Statutory retirement	2,084	1.70	1,430	1,231.5
Early and deceased	1856	1.05	1,877	1,355.8
Total	3,940	**2,750**	**3,307**	**2,587.3**

1.6 Outstanding lumpsum benefits in 2022

The Fund had 2,945 cases with an estimated amount of K1.99 billion outstanding in pension arrears compared to 2,249 cases pending to be paid lumpsum pension amounting to K1.38 billion showing an increase in cases by 696. This was attributed to increased retirement cases in the period under review.

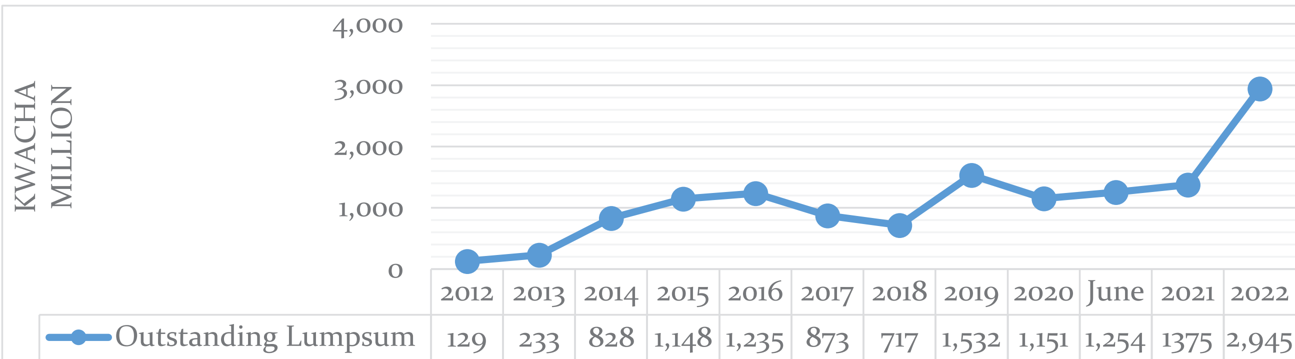
Out of the stated figure, statutory retirement cases were 1,450 cases amounting to K1.22 billion or 61% of the total pending amount. Pending cases for early retirement and deceased were 1,495 amounting to K0.77 billion or 39% of the pending amount. Due to significant improvement in the funding for lumpsum payments to PSPF in 2022, the average waiting time for payment of lumpsum benefits reduced.

Table 6: Pension benefits arrears

Category	2022		2021	
	No. of cases	Amount (K' Million)	No. of cases	Amount (K' Million)
Statutory Retirements	1450	1,220	1,375.0	879.58
Early and Deceased	1,495	770	874.0	495.40
Total	**2,945**	**1,990**	**2,249.0**	**1,374.98**

The average waiting period for both statutory and early retirement cases was 172 days compared to 229 days for statutory and 315 days for early retirements in 2021 showing a reduction of 57 days and 143 days respectively.

Figure 6: Analysis of unpaid lump sum over a 9-year period



1.7 Customer Service and decentralization

The Fund addressed a total of 74,252 cases in 2022, up from 41,816 cases in 2021, reflecting an increase of 32,436 cases or 78%. The Lusaka Headquarters handled 46,048 cases, while the Ndola Office managed 11,635 cases, and partners addressed 16,569 cases.

Among the partners, the Zambia National Pensioners Association (ZANAPA) dealt with 8,173 cases, or 49.33% of the partner cases. The Zambia National Union of Teachers (ZNUT) handled 4,699 cases, or 28.36%, and the Civil Servants and Allied Workers Union of Zambia (CSAWUZ) attended to 3,697 cases, accounting for 22.31%.

Figure 7: Cases attended to in 2022

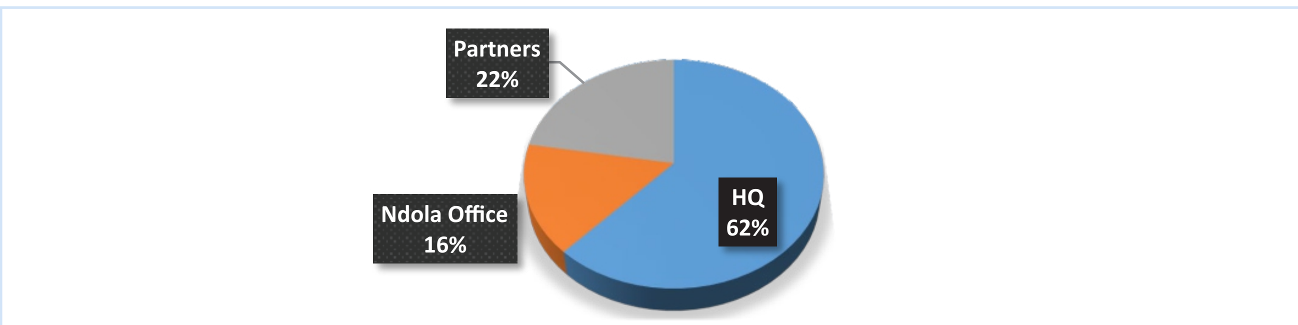


Table 7: Summary of cases handled by each partner

Table 11: SUMMARY OF CASES HANDLED BY EACH PARTNER		
PARTNER	NO. of offices	TOTAL
ZANAPA	8	8,173
ZNUT	9	4,699
CSAWUZ	7	3,697
TOTAL	**24**	**16,569**

2 Investments of the Fund

The investment portfolio registered an annualized return of 18% (K648.4 million), which was 8.1% above the end of year inflation rate of 9.9%. The effective annualized return was 16%. This implies that a positive return was earned.

2.1 Equity portfolio

The Equity portfolio realized a gain of K102 million, reflecting an annualized return of 28%, down from 160% in 2021. Companies listed on the Lusaka Securities Exchange (LuSE) saw a reduction in turnover to approximately K556.1 million, compared to K2.2 billion the previous year, leading to a decline in market performance between the two periods.

In our portfolio, ZANACO Plc emerged as the best-performing stock, followed by Copperbelt Energy Corporation Plc and Zambeef Products Plc. All stocks posted positive returns except for Chilanga Cement and National Breweries Plc.

The Lusaka Securities Exchange All Share Index (LASI) showed a growth of 23% in the PSPF equity portfolio from the beginning of the year to December 2022.

2.1.1 Dividend Income

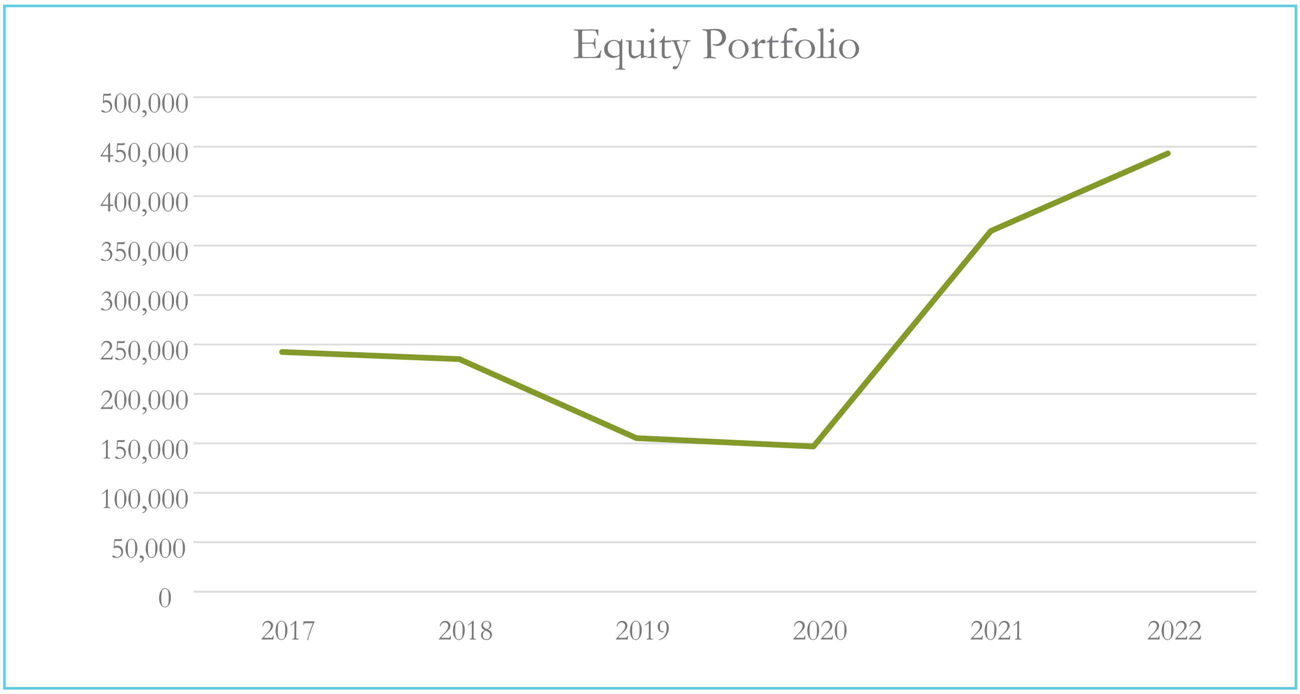
During the year under review, dividends earned amounted to K23.9 million, compared to K19.3 million in the same period of 2021, reflecting a growth of 24%.

Management had budgeted for K7.7 million in dividend income but achieved K23.9 million, representing 311% of the budgeted amount.

2.1.2 Equity Portfolio Growth Trends

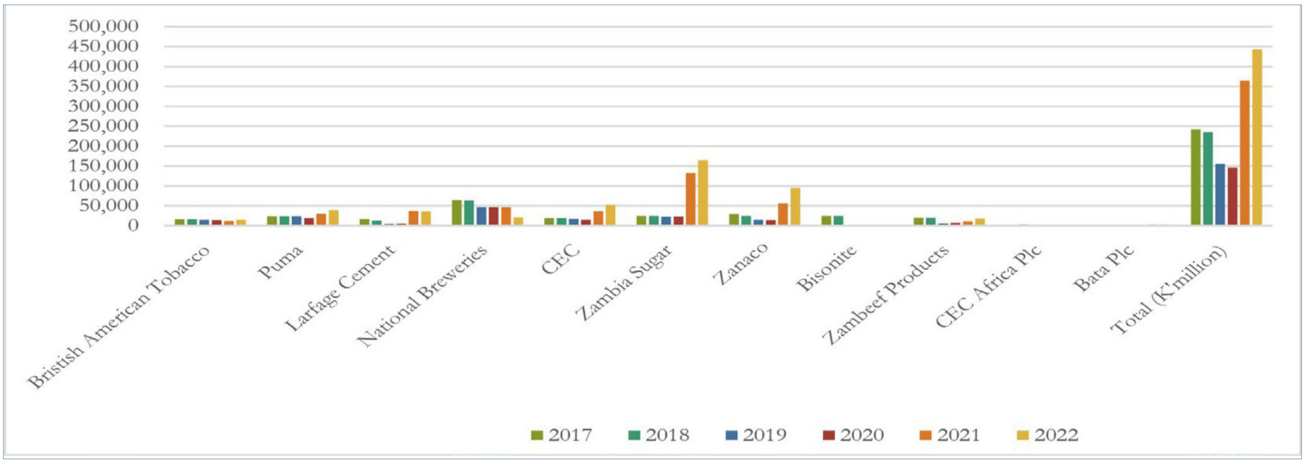
Below are the portfolio trends over the period of 6 years.

Figure 8: Growth trends of the Equity Portfolio



Over the 6-year period, the compound annual growth rate (CAGR) was estimated at 11%. However, the portfolio experienced negative growth from 2018 to 2020 due to poor stock market performance. However, it subsequently recovered and registered growth.

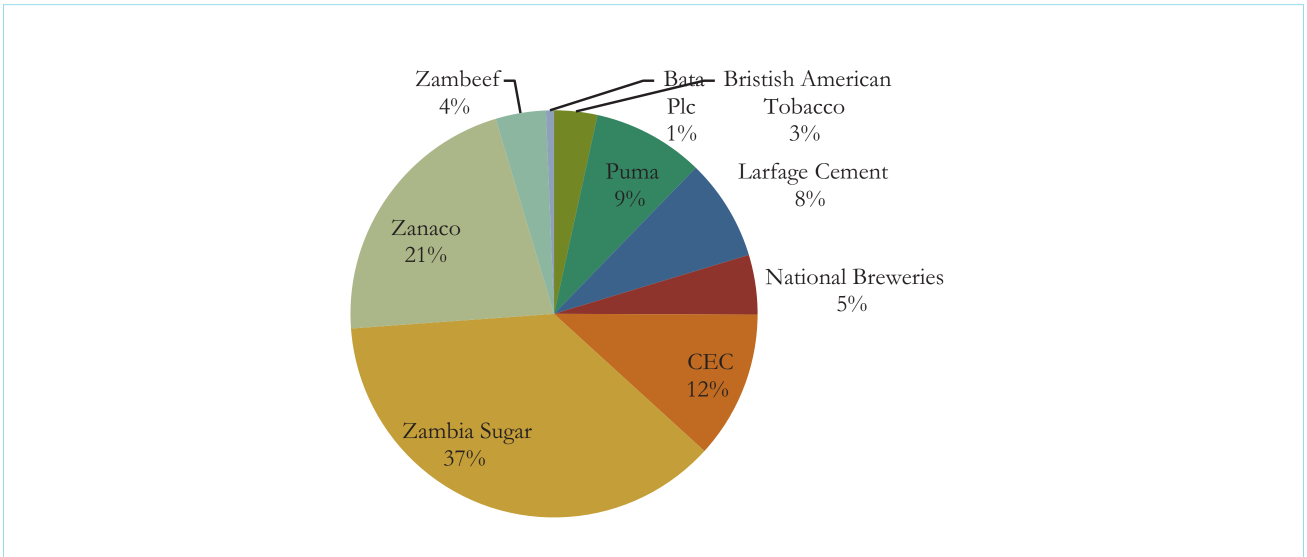
Figure 9: Individual Share Growth Trends



The graph above depicts the positions and performance of each stock held by PSPF between 2017 and 2022.

The investment in Zambia Sugar Plc was the largest, followed by ZANACO Bank Plc. The lowest was registered with Bata Shoes Plc.

Figure 10: Equity Portfolio Distribution



The chart illustrates that the equity portfolio was exposed to Zambia Sugar Plc with a share of 37% shifting from the National Breweries Plc which had previous dominated the portfolio. The least was the newly acquired shares in Bata Shoe Plc at 1% of the portfolio.

2.2 Money and other fixed income securities

2.2.1 Local Money Market

Investments in fixed income securities generated a net income of K356.4 million, yielding an annualized return of 16% by the end of the year. This return was 5.1 percentage points above the year-end inflation rate of 9.9%. Market rates had declined compared to the previous year.

The weighted average yield for treasury bills was 14.67% at the close of 2022. The annualized effective yield of 16% achieved on local fixed income securities surpassed this benchmark.

Management successfully negotiated attractive rates in the local money market.

2.2.2 Acquisitions of Fixed Income Securities

Management acquired K619.4 million worth of government bonds in the year under review.

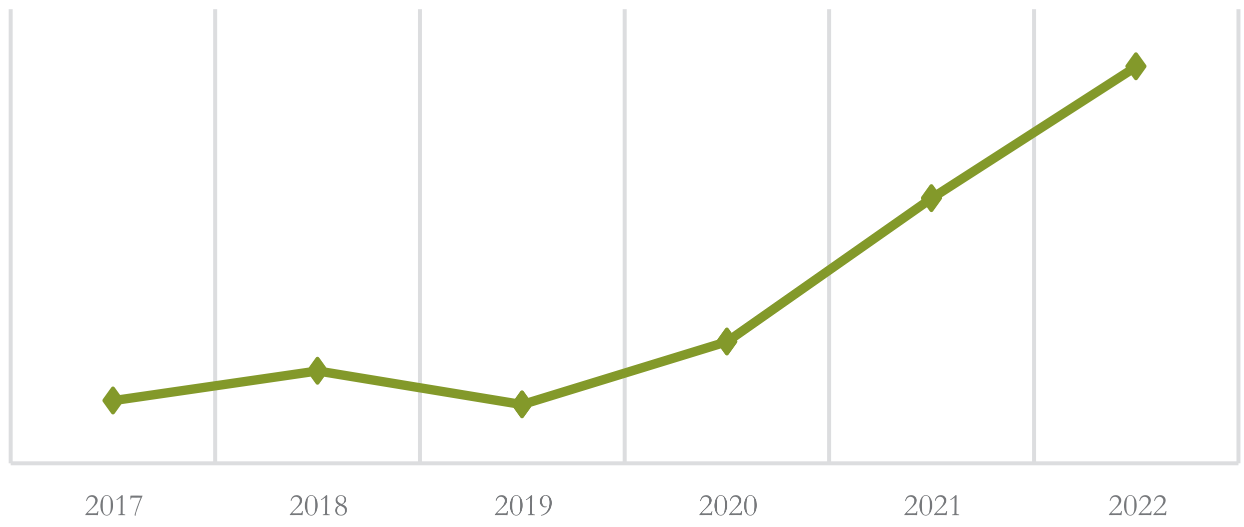
2.2.3 Offshore Investment (Crown Agents Investment Management Ltd)

The investment decreased from £2.509 million in December 2021 to £1.9 million by the end of December 2022, due to value erosion and withdrawals. The investment incurred a loss of £576,405, with the remainder of the decrease attributable to withdrawals during the review period.

2.2.4 Fixed Income Securities Trends

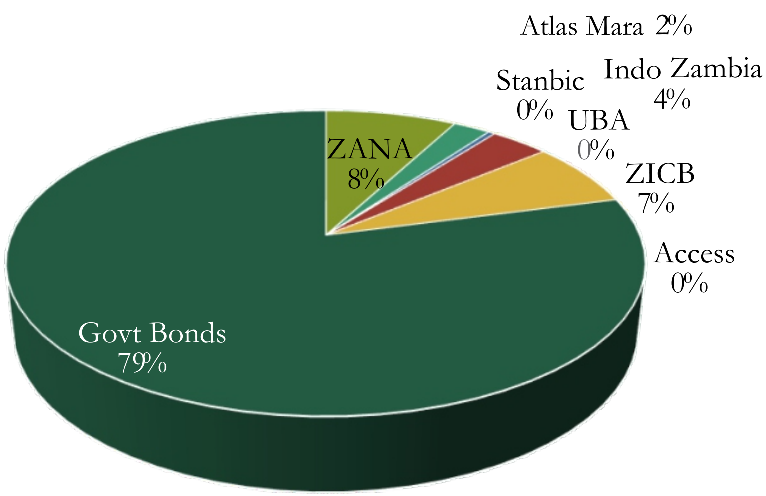
The chart below depicts the movements of the Fixed Income Securities for the period between 2017 and 2022.

Figure 11: Fixed Income Securities' Growth



Holdings experienced significant growth following the acquisition of government securities and reinvestments. Over the last six years, the compound annual growth rate (CAGR) was estimated at 36%.

Figure 12: Fixed Income Security Distribution



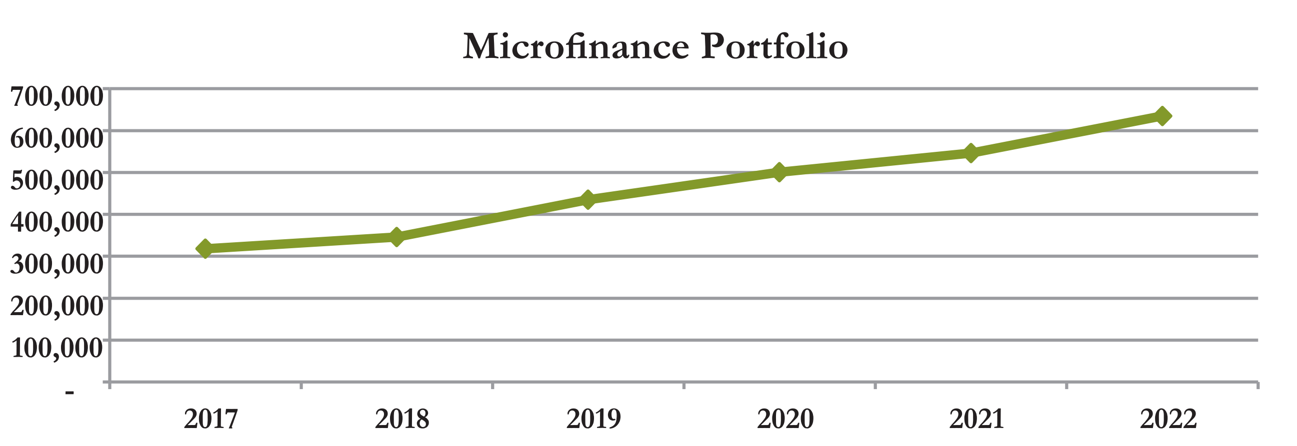
The largest placements were made in Government Securities at 79% followed by ZANACO Plc with 8%.

2.3 Microfinance

The microfinance portfolio grew from K546 million in 2021 to K635 million in 2022, representing a growth of 16% compared to 9% the previous year. During this period, K175.4 million in loans were disbursed, up from K85.6 million in 2021.

Returns from the Microfinance Scheme totalled K252 million, surpassing the expected cash inflows of K233 million. Figure 13 below illustrates the portfolio growth trends from 2017 to 2022. The portfolio has been growing at a compound annual growth rate (CAGR) of 12%.

Figure 13: Microfinance Portfolio Growth

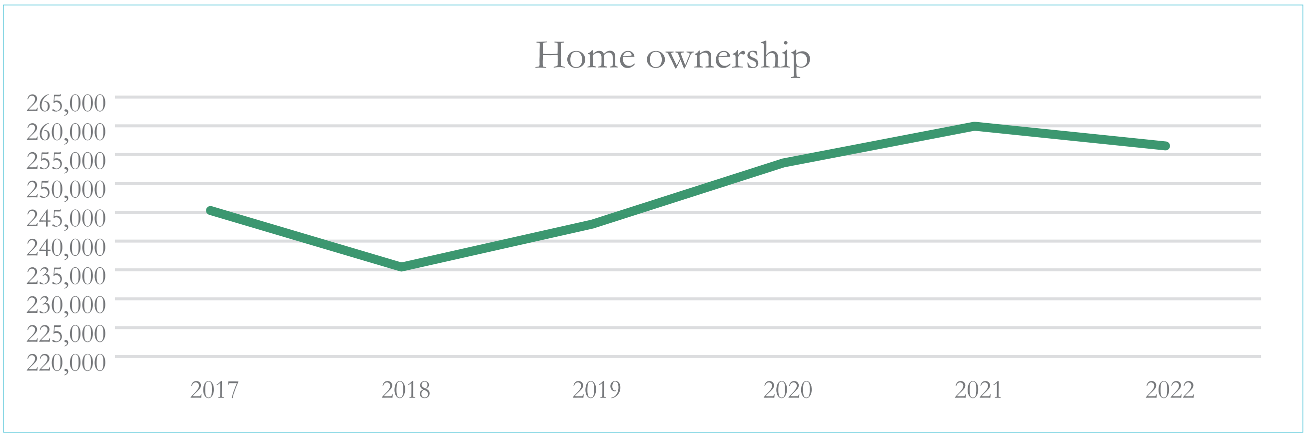


2.4 Home Ownership Scheme

During the year, 36 mortgages were generated valued at K15.5 million compared to K7.4 million in 2021.

The performance of the scheme is depicted in the graphs below.

Figure 14: Home Ownership Scheme Portfolio



2.5 Real Estate Portfolio

2.5.1 Rental Income

Revenue collected was K7.4 million against the expected K6.2 million for this asset class. This amount was higher than K5.7 million collected in 2021.

2.5.1.1 Alick Nkhata Road Project

The overall project excluding the hotel had reached 98% against the revised target of 100% by the end of 2022.

2.5.1.2 Tenancy

a) The Mall

By the end of the year, 72 % of space had been leased out.

b) Offices

A significant portion of the total office space available (100%) was leased out with notable tenants including the National Health Insurance Management Authority (NHIMA) and Zambia Industrial and Commercial Bank Ltd (ZICB).

2.6 Portfolio Distribution by Market Value

The local fixed income securities had the largest share at 47% followed by the real estate at 27%. The microfinance scheme was at 12%.

Figure 15: Portfolio Distribution by Market Value

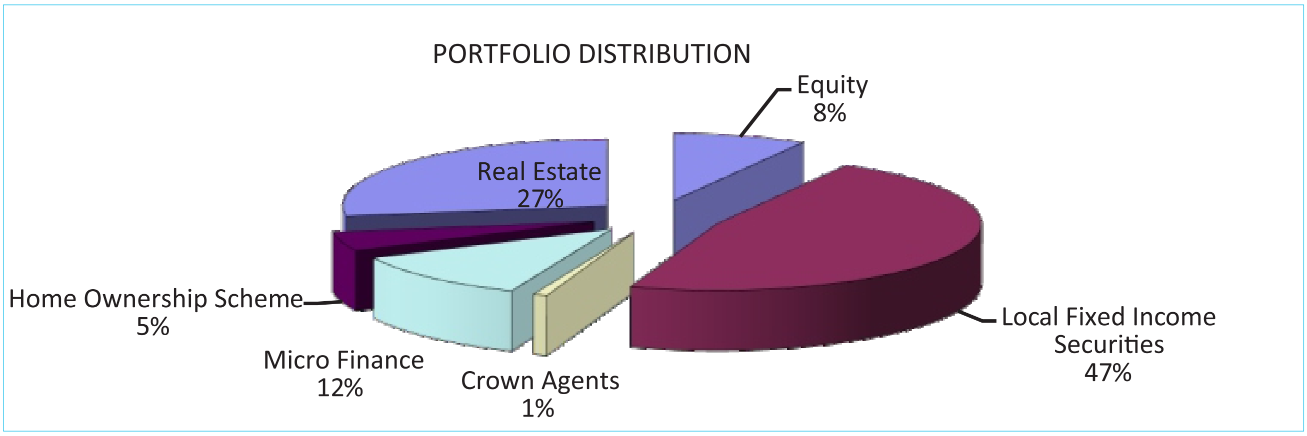
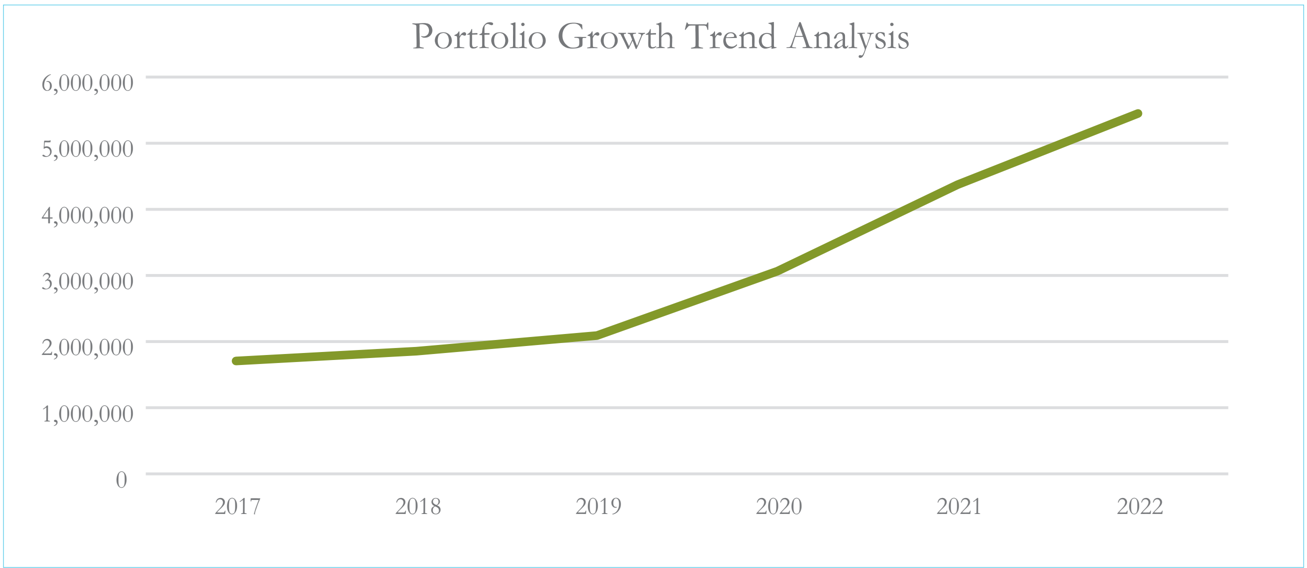


Figure 16: Portfolio Growth



3 Challenges

The Fund continued to face challenges related to the following:

3.1. The ongoing closure of the Fund to new entrants has impacted contribution cash inflows, thereby hindering investment growth.

PUBLIC SERVICE PENSIONS FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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TRUSTEES

The trustees who held office during the year and to the date of this report are:

John Kasanga	Chairman (Appointed 2023)
Barnaby B Mulenga	Chairman (retired 2022)
Musonda Ulaya	Representative, Ministry of Labour & Social Security (Appointed 2023)
Luwani Soko	Representative, Public Service Management Division (Appointed 2022)
Kayula Chimfwembe	Director of Budget, Ministry of Finance (Appointed 2023)
Willies Chipango	Director of Budget, Ministry of Finance (Retired 2022)
Isaac Ngoma	General Secretary, Zambia National Union of Teachers (Appointed 2023)
Brig.Gen. Nathan Chiselwa	Representative of the Defense Force (Appointed 2022)
Bernadette Muzumbwe Katongo	Representative, Ministry of Justice (Appointed 2023)
Chambani Lisulo	Representative of the Security Services
Martin Lukwasa	Representative of the Attorney General (Retired 2022)
Lugard Sichalwe	National Secretary, Zambia National Pensioners Association
Makai Makai	Representative of the Civil Servants & Allied Workers Union of Zambia
Allan Nyirenda	Representative of the Zambia Chamber of Commerce and Industry
Joseph Nonde	Director of Budget, Ministry of Finance (retired 2022)
Lina Lungu	Representative of the Lusaka Stock Exchange (Appointed 2023)
Priscilla Chikuni Sampa	Representative of the Lusaka Stock Exchange (Deceased 2022)

KEY SUB COMMITTEES

Finance and Investments Committee

Kayula Chimfwembe (Appointed 2023)
Kabinda Kakoma Kawesha Co-Opted
Luwani Soko (Appointed 2022)
Lina Lungu (Appointed 2023)
Isaac Ngoma (Appointed 2023)
Willies Chipango (Retired 2022)
Priscilla Chikuni Sampa (Deceased 2022)

Audit Committee

Martin Lukwasa (Retired)
Ophelia Nyambe Co-Opted
Lina Lungu (Appointed 2023)
Allan Nyirenda
Bernadette Muzumbwe Katongo(Appointed 2023)
Chambani Lisulo

Pensions and Benefit Committee

Lugard Sichalwe
Kamphata Botha Co-Opted
Makai Makai
Musonda Ulaya (Appointed 2023)
Brig-Gen Nathan Chiselwa (Appointed 2022)

Staff Committee

Makai Makai
Allan Nyirenda
Brig-Gen Nathan Chiselwa (Appointed 2022)

SENIOR MANAGEMENT

Patrick Bobo	Secretary and Chief Executive (Retired 2023)
Francis Pindani Nyirenda	Acting Secretary and Chief Executive
Barbara Sampa Kangwa	Director Pension Administration
Kingsley Mulenga Kabuta	Acting Director Finance
Matandiko Matandiko	Director Investment
Derrick Lungu	Director Human Resource

CUSTODIAN AND OTHER INFORMATION

INVESTMENT MANAGER

Public Service Pensions Fund
Plot No. 7534
Sapele Road
Lusaka

ACTUARY

Independent Actuaries & Consultants
6th Floor, Wale Str Chambers
38 Wale Str
Cape Town
South Africa

PROPERTY VALUERS

Liberty Property Consultants
Plot No 1311, Flat 4 Lubu Road
Longacres
Lusaka

AUDITORS

PricewaterhouseCoopers Zambia
PwC Place
Stand no. 2374
Thabo Mbeki Road
P.O. Box 30942
Lusaka

BANKERS

Indo-Zambia Bank Limited
Atlas Mara (Z) Limited
Stanbic Bank (Z) Limited
United bank of Africa
Zambia National Commercial Bank Plc
Malawi Savings Bank
Standard Bank of South Africa
Crown Agents Investment Bank

REGISTERED OFFICE

Public Service Pensions House
Plot No. 7534
Sapele Road
Lusaka

REPORT OF THE TRUSTEES

The trustees submit their report together with the audited annual financial statements for the year ended 31 December 2022.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The Fund was established, and is governed, under the Public Service Pensions Act No. 35 of 1996. It is a defined benefit scheme and provides, under the rules of the Fund, retirement benefits for the Defence Forces, Security Forces, Civil Service, Police and Prisons Service, Teaching Service and Judicial service. It is a tax exempt approved Fund under the Income Tax Act.

Employees contribute to the Fund at the rate of 7.25% of their respective basic salaries. The employer currently contributes 7.25%.

Actuarial position

The last valuation of the Fund was carried out as of 31 December 2020 by Independent Actuaries & Consultants. As per the valuation, the scheme had an actuarial deficit of K50.42 billion (2017: K46.18 billion) corresponding to a Funding level of 3.0% (2017: 2.6%) as at the valuation date. The total contribution rate to cover the cost of benefits accruing in the future is 36.38% (2017: 37.7%) of the pensionable salary. The deficit identified by the actuary is supported and will be funded by the Zambian Government. Refer to note 22 & 23. The Zambian Government finances the deficit through the annual government Funding and budgetary allocations.

Membership

		2022	2021
a)	**Total members**		
	Contributing members	**95,259**	96,161
	Pensioners	**62,185**	59,512
		157,444	155,673
b)	**Contributing members**		
	At start of year	**96,161**	91,152
	Joiners	**2,440**	12,253
		98,601	103,405
	Less:		
	Retired with pension	**(2,529)**	(2,154)
	Died in service	**(214)**	(725)
	Other leavers	**(599)**	(4,365)
	At end of year	**95,259**	96,161

REPORT OF THE TRUSTEES (continued)

c) **Pensioners**	**2022**	2021
At start of year	**59,512**	57,741
Contributing members who retired	**2,569**	2,154
Widows or widowers pension becoming payable	**1,228**	638
	63,309	60,533
Less: Deaths	**(1,124)**	(1,021)
At end of year	**62,185**	59,512

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 13 shows an increase in the net assets of the scheme for the year of **K82 million** (2021: K2.07 billion) and the statement of net assets available for benefits on page 14 shows the scheme's net assets as **K3.69 billion** (2021: K3.61 billion).

INVESTMENT OF FUNDS

Under section 29 of the Public Service Pensions Act (PSPF) No. 35 of 1996, the Board is mandated to invest any monies of the Fund not required to meet current charges, in interest bearing accounts, stocks, securities issued by or on behalf of the Government or in stocks, securities or Funds guaranteed by the Government, and in such other investments as may be approved or specified by the Board.

The Fund's investment strategy is to buy and hold, in case of fixed maturity securities, until maturity, and then replace them with similar securities. The decisions to invest are made by the Board.

REPORT OF THE TRUSTEES (continued)

INVESTMENT OBJECTIVES OF THE FUND

The investment objective of the Fund is to maximize returns on investments while ensuring security of investments held. As per the PSPF Act, the Board should not invest assets in excess of twenty per centum of its net asset value in any one form of investment. The investment of the Fund at 31 December 2022 comprised the following:

	2022	2021	**2022**	2021	
	Amount	Amount	**% of net**	% of net	**Limit**
	K	K	**assets**	assets	**%**
Equity investments	**443,205,074**	364,557,344	**12%**	10%	20%
Investment property	**1,283,231,792**	253,426,748	**35%**	7%	20%
Government securities	**1,716,419,507**	1,046,050,705	**46%**	29%	20%
Fixed and time deposits	**354,367,170**	262,295,102	**10%**	7%	20%
Staff loans	**25,875,993**	8,130,931	**1%**	0%	20%
Microfinance	**553,869,137**	401,334,434	**15%**	11%	20%
Home loans	**203,415,891**	193,680,476	**6%**	5%	20%
	4,580,384,564	2,529,475,740			
Net assets	**3,692,994,662**	3,610,950,328			

Some investments were in excess of the 20% threshold prescribed in the PSPF Act, the board intends to rebalance the portfolio in the long-term to achieve the 20% limit through a balanced investment mix and net assets growth. Secondly, the Fund is in an actuarial deficit which is covered by the government of Zambia. Therefore, the 20% threshold is impractical, and the board is currently engaging the Government on the amendment of the PSPF Act.

All assets with the exception of staff loans, Microfinance loans and Homeownership loans are carried at fair value. The loans are carried at amortized cost.

FUND EXPENDITURE

The proportion of administrative expenses to contributions receivable and net investment income in the year was as follows:

	2022	2021
	K	K
Contributions income	1,160,058,021	1,036,287,763
Net investment income	561,596,376	827,873,692
Total	1,721,654,397	1,864,161,455
Administrative expenses	208,810,362	176,977,342
Proportion	**12%**	**9%**

Trustees believe that the level of Fund management and administration expenses is reasonable.

REPORT OF THE TRUSTEES (continued)

SOLVENCY

As disclosed in note 19 to the annual financial statements the Fund had an actuarial deficit of K50,420 million as at 31 December 2020. The actuarial deficit is not recognized in the books of the Fund as the charge is on the general revenues of the Republic of Zambia as per Article 265(2) of the Zambian constitution.

The deficit is guaranteed by the Government of Zambia. It is currently Government's policy as the sponsoring employer to continue to give the Fund such financial support as may be necessary to enable it continue to operate in the foreseeable future. The next actuarial valuation of the Fund is due on 31 December 2023.

By order of the Board

Secretary and Chief Executive

Lusaka 22nd March, ***2024***

STATEMENT OF TRUSTEES RESPONSIBILITIES

The Public Service Pensions Act requires the trustees to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the financial year. It also requires the trustees to ensure that the Fund keeps proper accounting records of its income, expenditure, liabilities and assets and that contributions are remitted to the custodian in accordance with the rules of the Fund.

The trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Public Service Pensions Act. The trustees are of the opinion that the annual financial statements give a true and fair view of the state of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards. The trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement.

The trustees certify that to the best of their knowledge and belief, the information furnished to the auditor for the purposes of the audit was correct and complete.

The actuaries assessed the actuarial liability at K51.96 billion as at 31 December 2020 (2017: K47.39 billion) but the fair value of the net assets available for benefits was K1.54 billion (2017: K1.22 billion) resulting in a deficit of K50.42 billion (2017: 46.18 billion) at that date.

The actuaries recommend that (i) action should be taken to address the misalignment between the total current contribution rate and the benefits offered by the Fund ; or (ii) the Fund could consider increasing the normal retirement age; reducing the accrual rate; introducing benefit reductions for early and ill health retirement; reduce commutation factors; reduce the maximum pension that can be commuted; reduce death in service and death in retirement benefits (gratuities and pensions);introduce an averaging period for pensionable salaries; reduce withdrawal benefits and (iii) the sponsor can consider the following to fund the deficit; lumpsum cash injection, additional regular contributions, reduction of accrued benefits or combination of the above proposals.

Members are at risk if the above actions are not implemented since the Fund will experience liquidity problems in future.

Section 57 of the Public Service Pension Act 35 of 1996 states that, "this Act shall bind the Republic". The Government of the Republic of Zambia is fully responsible for funding the Fund's deficit. As a result, the Fund's deficit is not recognized in the Fund's annual financial statements. It is currently Government's policy as the major stakeholder of PSPF to continue to give the Fund such financial support as may be necessary to enable it to continue to operate in the foreseeable future. It is on this premise that the trustees believe that the Fund will remain a going concern for at least the next twelve months from the date of these annual financial statements.

Signed on their behalf by:

Trustee .... Trustee ....

22nd March, 2024

pwc

Independent auditor's report

To the Members of Public Service Pensions Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Public Service Pensions Fund (the "Fund") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Public Service Pensions (PSP) Act No. 35 of 1996 of the Laws of Zambia.

What we have audited

Public Service Pensions Fund's financial statements are set out on pages 13 to 57 and comprise:

- the statement of changes in net assets available for benefits;
- the statement of net assets available for benefits;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Report on the audit of the annual financial statements (continued)

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
1. Impairment provision for mortgages, loans and advances to customers Loans and advances at amortised cost form a significant portion of the Fund's assets. As at 31 December 2022, the Fund's gross loans and advances amounted to K778.2 million and the related provision for loan loss impairment recognised totaling K103.4 million. Management exercises significant judgment by applying assumptions in the model used to determine expected credit losses for mortgages, loans and advances carried at amortised cost. Significant judgments were made in determining probabilities of default, loss given default and selection of forward-looking information and the classification of mortgages, loans and advances. Further information about mortgages, loans and advances is presented in notes 3(b) and 9 of the financial statements.	We carried out the following procedures: • We reviewed the Fund's methodology for determining expected credit losses and evaluated this against the requirements of IFRS 9. • We tested how the Fund extracts 'days past due' applied in classifying the loans and advances portfolio into the three stages required by IFRS 9. For a sample of the portfolio, we recalculated the 'days past due' applied in the model to the Fund's IT system and to the respective customer files. For significant judgments made on staging, we challenged how management had determined the staging by reviewing management's basis and corroborated the same through review of corresponding customer credit files. • We obtained an understanding of the basis used to determine the probabilities of default and re-calculated the probabilities based on the Fund's past and current credit related financial information. • For loss given default we traced the expected future cash flows for a sample of Fund's customers, to collateral information produced from internal and external sources. We also tested assumptions on the timing of the cash flows based on the Fund's empirical evidence. • For forward looking assumptions used in the model, we corroborated the assumptions using publicly available information.

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Key audit matter	How our audit addressed the key audit matter
2. Fair value of investment properties As disclosed in Note 8, the Fund holds investment properties valued at K1,283 million. Management's estimation of the fair value of investment properties involves inherent subjectivity and relies on various assumptions, including market conditions, future rental incomes, and discount rates. The valuer is expected to derive inputs such as the risk-free rate, risk premium, expected rate of rental growth, expected depreciation, and required rate of return from the market information available. Therefore, the valuation of investment properties is a key audit matter due to the complexity and subjectivity inherent in the estimation process. The methodology used to value residential properties was direct comparison method, which requires determination of market values with reference to prices paid for similar properties in a free and open market in the submarket. For commercial properties, the investment approach was used, which is the value of a property based on the value of the cash flows that the property can be expected to generate in the future. We therefore focused on the reasonableness of management's judgment and assumptions underlying the valuation of investment properties, including the appropriateness of market data, rental income forecasts, and discount rates used in the valuation model.	We carried out the following procedures: • assessed the independence, objectivity and competence of the valuation expert; • with the assistance of our valuation experts, assessed reasonableness of the assumptions utilised and consistency in the application of judgements; • reviewed the methodologies applied by management for consistency with the requirements of IFRS 13: Fair value; • tested mathematical accuracy of the computation and reconciled the results of the valuation performed by the expert to the financial statements.

Other information

The Trustees are responsible for the other information. The other information comprises the Funds' Annual Report but 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 conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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.

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Report on the audit of the annual financial statements (continued)

Responsibilities of the Trustees for the financial statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Public Service Pensions (PSP) Act No. 35 of 1996 of the Laws of Zambia, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund'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 Funds or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process.

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 Fund's internal control.

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

- 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Report on the audit of the annual financial statements (continued)

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

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

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

Report on other legal and regulatory requirements

The Public Service Pensions Act

In accordance with the requirements of the Public Service Pensions (PSP) Act No. 35 of 1996 CAP 260 of the Laws of Zambia, we confirm that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In arriving at our opinion, we considered the following matters:

i. Whether or not the provisions of the PSP Act have been complied with;
ii. Whether or not all the information and explanations which were required have been obtained
iii. Whether according to the information and explanations given and as shown in the books relating to the Fund. The financial statements for the year concerned are properly drawn up so as to exhibit a true and correct view of the state of the Fund:
iv. And as whether the expenses of the Board incurred in the year concerned in connection with or incidental to management and administration of the Fund are excessive.

In respect of the foregoing, we have the following matter to report;

In the current year, investments in Government Securities and Investment properties account for 46% and 35% of total net assets, respectively. These percentages exceed the 20% threshold prescribed by the Public Service Pensions (PSP) Act No. 35 of 1996 CAP 260 of the Laws of Zambia

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

27th March, 2024

Andrew Chibuye
Practicing Certificate Number: AUD/F002378
Partner signing on behalf of the firm.

Statement of changes in net assets available for benefits

	Notes	2022 K	2021 K
Income from dealings with members			
Employee Contributions		**594,963,583**	529,312,952
Employer Contributions		**565,094,438**	506,974,811
Financing Gap	22	**1,739,885,448**	1,839,246,415
Governments grants	21	**327,157,031**	227,587,500
Other income	23	**238,793,613**	10,056,377
		3,465,894,114	3,113,178,055
Outgoings from dealings with members			
Benefits payable to retiring members	4	**(3,632,891,740)**	(1,678,451,256)
Net withdrawals/additions from dealings with members		**(166,997,625)**	1,434,726,799
Returns on investments			
Investment income	5	**573,484,655**	444,202,348
Foreign Exchange (losses)/gains		**7,170,611**	(26,461,319)
Change in FV of investment property	8	**(169,381,297)**	9,438,156
Change in FV of equity investments	10	**78,647,731**	215,922,801
Impairment on non Performing Home loans	9(ii)	**8,622,210**	(598,009)
Impairment provision on microfinance loans	9(ii)	**61,796,424**	(46,848,980)
Impairment provision on Staff loans	9(ii)	**1,254,999**	(4,360,674)
Gain/(Loss) on sale on disposal		**1,043**	(687,847)
Net returns on investments		**561,596,376**	590,606,476
Administrative expenses	7	**(208,810,362)**	(176,977,342)
Withholding Tax		**(42,309,069)**	(12,414,990)
Finance cost		**(61,434,984)**	237,267,215
		(312,554,415)	47,874,883
Increase in net assets for the year		**82,044,335**	2,073,208,158
Net assets available for benefits at start of the year excluding PV of actuarial benefits		**3,610,950,327**	1,537,742,169
Net assets available for benefits at end of the year		**3,692,994,662**	3,610,950,327

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Statement of net assets available for benefits

	Notes	2022 K	2021 K
Assets			
Property plant and equipment	6(a)	**13,153,040**	11,367,535
Intangible Assets	6(b)	**864,953**	559,191
Work-In-Progress	6(c)	**391,671,504**	1,445,095,893
Investment properties at fair value	8	**1,283,231,792**	253,426,748
Staff loans	9	**25,875,993**	8,130,931
Home loan scheme	9	**203,415,891**	193,680,476
Microfinance loans	9	**553,869,137**	401,334,434
Equity Investment at fair value	10	**443,205,074**	364,557,344
Fixed deposit	10	**354,367,170**	262,295,102
Government securities	10	**1,716,419,507**	1,046,050,705
Contributions due	11	**9,289,379**	887,390,371
Other receivables and accrued income	12	**90,576,995**	55,150,425
Cash and bank	13	**459,681,573**	568,545,945
Total assets		**5,545,622,008**	5,497,585,100
Liabilities			
Benefits payables	14	**(1,050,571,660)**	(948,183,511)
Other payables and accrued expenses	15	**(38,494,451)**	(28,165,995)
Staff pension liability	16	**(10,495,947)**	(31,342,050)
Long Term Loan	24	**(753,065,288)**	(878,943,217)
Total liabilities		**(1,852,627,346)**	(1,886,634,773)
Net assets available for benefits		**3,692,994,662**	3,610,950,327

The annual financial statements on pages 13 to 57 were approved for issue by the Trustees on..22nd March.......2024 and signed on their behalf by:

Board Chairman

Trustee

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Statement of cash flows

	Notes	2022 K	2021 K
Cashflows from operating activities			
Contributions received		**2,038,159,012**	1,127,508,389
Government funding and financing gap received		**2,067,042,479**	2,066,833,915
Other income		**203,367,044**	22,410,034
Benefits paid to retiring members		**(3,530,503,590)**	(2,330,407,138)
Administrative expenses		**(258,451,933)**	**(221,923,825)**
Net cash from operations of the Fund		**519,613,012**	664,421,375
Cashflow from Investing activities			
Investment income received		**564,160,871**	95,004,595
Purchase of property and equipment	6(a,b)	**(5,267,642)**	(7,563,623)
Work in progress	6(c)	**(145,761,952)**	(239,717,156)
Staff loans issued		**(58,162,548)**	(25,184,076)
Staff loans repayments		**40,417,486**	56,063,258
Home loans issued		**(20,137,238)**	(9,932,993)
Home loan scheme repayments received		**29,872,653**	40,131,237
Purchase of fixed term deposits	10	**(292,205,796)**	182,469,893
Purchase of Government bonds	10	**(613,679,796)**	(443,119,594)
Purchase of equity investments	10	**-**	(1,811,177)
Microfin loans issued		**(218,815,453)**	(43,818,003)
Microfin loans repayments		**66,280,750**	192,725,960
Proceeds from maturity & disposal of deposits	10	**204,962,540**	(172,516,766)
Proceeds from disposal		**1,043**	10,159
Net cash from investing activities		**(448,335,081)**	(377,258,286)
Cashflow from Financing Activities			
Long Term Loan		**(187,312,913)**	-
Net increase in cash and cash equivalents		**(116,034,983)**	287,163,089
Cash and cash equivalents at start of the year		**568,545,945**	276,870,267
Net increase in Cash and cash equivalents		**(116,034,983)**	287,163,089
Exchange gains on cash and cash equivalents		**7,170,611**	4,512,589
Cash and cash equivalents at end of the year	14	**459,681,573**	568,545,945

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Notes to the Annual Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These policies have been consistently applied and where applicable, the prior year have been reclassified to align with fund operations.

(a) Statement of compliance

The annual financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS interpretation Committee (IFRSIC) applicable to entities reporting under IFRS, and the Public Service Pensions Act of 1996. The annual financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB)

(b) Basis of preparation

The annual financial statements summarize the transactions of the Fund and deal with the net assets at the disposal of trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the actuary and these annual financial statements should be read in conjunction with it.

The annual financial statements are presented in the functional currency, Zambian Kwacha. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

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

(c) Solvency of the Fund

Based on the latest actuarial valuation that was completed as at 31 December 2020 by Independent Actuaries & Consultants (Pty) Ltd, an independent firm of actuaries, the financial position of the Fund has deteriorated over the three year period since the previous actuarial valuation performed as of 31 December 2017. The valuation revealed an actuarial deficit of K50.42 billion as at 31 December 2020. The next valuation is due on 31 December 2023.

The actuarial present value of promised retirement benefits is as follows:

	2020 **K**	**2017** **K**
Accrued liabilities		
Value of accrued liabilities as at 31 December	51,958,000,000	47,393,000,000
Assets		
Value placed on Fund assets as at 31 December	(1,538,000,000)	(1,217,000,000)
Actuarial shortfall		
Excess of accrued liabilities over assets	50,420,000000	46,176,000,000

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(c) Solvency of the Fund (continued)

This deficit indicates that the Fund is technically insolvent. The actuaries recommended the following:

i. Action should be taken to address the misalignment between the total current contribution rate and the benefits offered by the Fund. One or a combination of the following proposals should be implemented to ensure the total contribution rate is equal to the cost of future benefit accrual and enable the Fund to pay promised benefits in future:

- additional regular contributions by the employer,
- benefits reduction, and
- Settle outstanding contributions as soon as possible.
- a combination of the above.

ii. The Fund should consider the following possible reductions of future and/or accrued benefits:

- Increase the normal retirement age,
- reduce the accrual rate,
- Introduce benefit reductions for early and ill-health retirements,
- reduce commutation factors,
- reduce the maximum percentage of pension that can be commuted,
- reduce death in service and death in retirement benefits (gratuities and pensions),
- introduce an averaging period for pensionable salaries, and
- reduce withdrawal benefits.

iii. One of the following proposals should be considered to fund the deficit:

- Lumpsum cash injection and/or additional contribution with interest,
- additional regular contributions,
- reduction of accrued benefits, and
- a combination of the above.

To address the actuarial deficit, the employer of the scheme(government) makes an allocation in the National Budget every year to Fund the actuarial deficit. The actuarial recommendations are proposed to be implemented during the pension reforms.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(d) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Fund.

A number of new or amended standards became applicable for the current reporting period and the Fund had to change its accounting policies as a result of adopting the following standards.

International Financial Reporting Standards and amendments effective for the first time for *December* 2022 year-ends		
Number	**Effective date**	**Summary of standard**
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.
Annual improvements cycle 2018 - 2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(d) Changes in accounting policy (continued)

(i) New and amended standards adopted by Fund (continued)

Number	Effective date	Summary of standard
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.

(ii) New standards and interpretations not yet early adopted and not effective.

Certain new accounting standards and interpretations not yet effective and not early adopted have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These standards are not expected to have a material impact on the annual financial statements.

Number	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. Further detailed information is available at the following link: In Brief 2020-3
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

e) Foreign currency translation

Functional and presentation currency translation
Items included in the annual financial statements are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The annual financial statements are presented in the Zambian kwacha which is the functional currency.

Transactions and balances
Transactions in foreign currencies during the year are converted into Zambia kwacha at rates prevailing at transaction dates. Monetary assets and liabilities are converted using the exchange rate as at year end. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of changes in net assets available for benefits.

(f) Contributions receivable

Current service and other contributions from the members and employers are accounted for in the period in which they fall due. Members and the employer each contribute at the rate of 7.25% of the members' pensionable emoluments. Unless paid within one month from the date when they become payable, any contributions which are deferred are paid with interest at the ruling Central Bank of Zambia policy rate.

(g) Government early retirement Funding

Government early retirement Funding and financing gap Funds are recognized as income in the period in which it is received. Parliament appropriates a grant to the Public Service Pensions Fund to cater for benefits resulting from premature retirements and death of serving members.

(h) Benefits payables

Benefits payables comprise the entitlements of members who ceased employment prior to the year end but have not yet been paid by that date. Benefits payables are recognized as liabilities in the period in which they fall due upon retirement, death or dismissal of a contributing member. The computation of the benefit payable is stipulated by the Public Service Pension Act of 1996 which will consider the contributions made to the Fund, number of years.

(i) Income from investments

Interest income is recognized for all interest bearing instruments on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

Dividends are recognized as income in the period in which the right to receive payment is established.

Rental income from operating leases is recognized on a straight line basis over the lease term.

(j) Investment properties

Properties such as leasehold land and buildings and parts of buildings that are held for long-term rental yields or for capital appreciation or both are classified as investment properties (including property under construction for such purposes).

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(j) Investment properties (continued)

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Fund and the cost can be reliably measured. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the annual financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair values are recognized in the statement of changes in net assets available for benefit in the year in which they arise. Investment properties are derecognized when they have been disposed 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 from the derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of net assets available for benefits in the period in which the property is derecognized.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(k) Property and equipment

All categories of property and equipment are initially recorded at cost and subsequently measured at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred.

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

• Leasehold buildings – shorter of	50 years or lease period
• Fixtures and fittings	10 years
• Office Equipment	5 years
• Motor vehicles	5 years
• Software	5 years

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining the decrease or increase in net assets for the year.

Work in progress are stated at cost. Such assets are initially shown as capital work in progress and transferred to the relevant class of assets when commissioned. Cost includes professional fees and, for qualifying assets, borrowing cost for long-term construction projects if the recognition criteria are met are capitalized in accordance with the Fund's accounting policy.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(l) Intangible Assets

Costs associated with developing or maintaining computer software programmes and the acquisition of software license are generally recognized as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Fund and have a probable future economic benefit beyond one year, are recognized as intangible assets. Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses from the date that the assets are available for use.

Expenditure subsequently incurred on computer software is capitalized, only amortisation is recognized in operating expenses on a straight line basis at rates appropriate to the expected lives of the assets from the date that the asset is available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end adjusted, if necessary useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible asset.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less from the acquisition date. The carrying amount of all fixed deposits and cash and cash equivalents approximates fair value.

(n) Provision for employee retirement benefits

The Fund has a self-administered defined benefit scheme for benefits accrued prior to 31 December 2014 and a defined contributions scheme for benefits accrued from 1 January 2015. For the defined contribution scheme, contributions are made to a separate administered fund, managed by an independent administrator and fund manager. The defined contribution scheme is funded through payments from employees and the employer at 5% and 10% of basic salary respectively. The costs relating to the scheme are charged to the statement of net assets available for benefits.

The Fund also contributes to the Government of Zambia operated social security scheme ,the National Pension Scheme Authority ("NAPSA) for its eligible employees as provided by the law. Membership is compulsory and monthly contributions by both the employer and the employee are made. The only obligation of the Board with regard to the Government scheme is to make the specified contributions and the employer contributions are charged to the statement of net assets available for benefits in the year it arises.

With regard to the Self-administered defined benefit scheme, the cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Further information is set out in note 17. Re-measurements, comprising of actuarial gains and losses, and the return on plan assets (excluding net interest) are recognized immediately in the Statement of net assets available for benefits with a corresponding debit or credit through Statement of changes in net assets available for benefits in the period in which they occur.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(o) Provision for employee retirement benefits (continued)

Past service costs are recognized in Statement of changes in net assets available for benefits on the earlier of:

- The date of the plan amendment
- The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Fund recognizes the following changes in the net defined benefit obligation under administration expenses in the Statement of changes in net assets available for benefits: Service costs comprising current service and past service costs on curtailments and non-routine settlements, net interest expense or income.

(p) Financial Instruments

IFRS 9: Financial Instruments carried at amortized cost

From 1 January 2018, the Fund has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9: Financial Instruments carried at amortized cost (continued)

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

(i) Classification and subsequent measurement

Classification and subsequent measurement of debt instruments depend on:

I. the Fund's business model for managing the asset, and
II. the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its loans and advances as financial assets carried at Amortized cost: This is because these assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9: Financial Instruments carried at amortized cost (continued)

(ii) Impairment

The Fund assesses on a forward-looking basis the expected credit losses ('ECL') associated with its loans and advances assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

(iii) Modification of loans

The Fund sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Fund assesses whether or not the new terms are substantially different to the original terms. The Fund does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Fund derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Fund also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Fund recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9: Financial Instruments carried at amortized cost (continued)

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

Financial liabilities

I. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost.

II. Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Fund and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Financial Assets at Fair Value

Classification and measurement

For financial assets other than loans and advances, the Fund carries its other financial assets like equity instruments, government securities fixed deposits and investment properties at fair value through profit or loss.

The fair values of financial instruments where no active market exists or where quoted prices are otherwise not available are determined by valuation techniques. In these cases, fair values are estimated from observable data in respect of similar financial instruments or using models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Note 3'd' contains details of the sensitivity of the main fair value estimates to the inputs into the model.

Notes to the Annual Financial Statements (continued)

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In particular, critical estimates are made by the Trustees in determining the fair value of investments that are not traded in an active market and investment property.

(a) Fair value estimation of financial assets at fair value through profit or loss.

The fair values of financial instruments where no active market exists where quoted prices are otherwise not available are determined by valuation techniques. In these cases, fair values are estimated from observable data in respect of similar financial instruments or using models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Refer to note 3(d).

(b) Fair value of investment properties

Management estimates the fair value of investment properties by using the direct market comparison. Were the market comparable property transaction prices are higher or lower by 10% per annum from management's estimates, the carrying amount of investment properties would be an estimated **K1.28** billion (2021: **K25.3** million) higher/lower. Refer to note 3(d) for the key assumptions used in the estimation of the fair values.

(c) Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates. The key assumptions used to determine the actuarial gains or losses are provided in note 17.

Actuarial valuation of the Fund

As per the PSPF Act section 24, the Fund is required to appoint an actuary and conduct actuarial valuation of the Fund at intervals of every three years. Various assumptions and estimates are applied in the valuation of the Fund which could impact the disclosures in the annual financial statements as explained in note 19.

Notes to the Annual Financial Statements

2. Critical accounting estimates and judgements (continued)

(d) Impairment of financial assets

The Fund assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost .The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Funds' policies for determining if there has been a significant increase in credit risk are set out in the subsequent notes.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Notes to the Annual Financial Statements

3. Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in foreign currency exchange rates, interest rates, and market prices of equities. The Funds' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the scheme does not hedge any risks. Risk management is carried out by investment manager under policies and guidelines approved by the Trustees.

(a) Market risk

(i) Foreign exchange risk
The scheme is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated loans and offshore fixed and time deposits denominated in US dollars and British Pounds. Currency exposure arising from assets and liabilities denominated in foreign currencies is managed by matching with the fixed and time deposits held offshore.

At 31 December 2022, if the Kwacha had weakened/strengthened by 10% against the US dollar with all other variables held constant, the decrease/increase in net assets available for benefits for the year would have been K71.10 million (2021: K86.5million million) higher/lower.

At 31 December 2022, if the Kwacha had weakened/strengthened by 10% against the British pound with all other variables held constant, the decrease/increase in net assets available for benefits for the year would have been K4.35 million (2020: K5.76 million) lower/higher.

There were no changes to the foreign market risk policies and processes during the year. The Kwacha equivalent of amounts translated from foreign currencies at year end is as follows:

	Currency	2022 Base amount	Exchange rate	ZMW	2021 Base amount	Exchange rate	ZMW
Fixed term deposit							
Crown Agents Investments	GBP	1,973,089	21.98	43,368,496	2,561,777	22.38	57,332,569
Bank							
Crown Agents	GBP	5,417	21.98	119,066	13,958	22.38	312,380
Indo Zambia	USD	16,761	18.25	305,888	16,821	16.67	280,406
Stanbic Bank	USD	957,973	18.25	17,483,007	813,582	16.67	13,562,412
Standard Bank	ZAR	114,131	1.085	123,832	114,131	1.10	125,544
Long Term Loan							
International Commercial Bank of China	USD	(39,935,070)	18.25	(728,815,028)	(52,726,048)	16.67	(878,943,220)
				(667,414,739)			(807,329,909)

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk arises from the effects of the fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and future cash flows. The Fund holds investments in fixed rate government securities and fixed deposits which expose it to fair value interest rate risk. The PSPF Act guides the Fund on the appropriate balance of the portfolio between variable and fixed rate interest investments.

At 31 December 2022, if the interest rate had fluctuated by 10% with all other variables held constant on government securities, and fixed deposits, the decrease/increase in net assets available for benefits for the year would have been K36.9 million (2021: K25.0 million) lower/higher.

Additionally, the loan facility acquired to fund the construction of the mall and hotel may be affected by decrease or increase in LIBOR. If the LIBOR fluctuated by 10% with all variables held constant on the loan, the net assets available for benefits would have been K4.24 million (2021: K4.07 million) lower/higher. With the LIBOR rate being phased out in June 2023, the Fund will transition to Synthetic LIBOR upto September 2024 with a possibility of adopting a more permanent alternative reference rate thereafter.

(iii) Other price risk

The Fund is exposed to price risk in respect of its investments in listed and unlisted shares. The exposure to price risk is managed primarily by setting limits on the percentage of net assets available for benefits that may be invested in equity, and by ensuring sufficient diversity of the investment portfolio.

As at 31 December 2022, if the prices of all equity investments had decreased/increased by 10% with all other variables held constant, the decrease/increase in net assets available for benefits for the year would have been K 44.32 million (2021: K36.46 million) lower/higher.

There were no changes to the market risk policies and processes during the year.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Fund's customers, clients or market counterparties fail to fulfil their contractual obligations to the Fund. Credit risk arises from investments other than equity investments, contributions receivable, home loans, microfinance loans, staff loans, cash equivalents, and other receivables. The Fund has significant concentrations of credit risk in the contributions due from the Government which have been however guaranteed for settlement. The investment Manager assesses the credit ratings in accordance with limits set by the Trustees. The fixed deposits are held with reputable banks in Zambia.

Risk limit control and mitigation policies

Cash at bank
The Investment Manager internally assesses all banks before maintaining any cash deposits.

Government Securities, fixed term deposits
The Fund structures the levels of credit risk it undertakes by limiting the amount of risk accepted in relation to one borrower. The trustees have assessed that all investments in government securities and fixed term deposits are fully recoverable.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Rental debtors
Ordinarily no credit is offered on the letting of properties, as all the tenants are required to pay rentals three months in advance. No interest is charged on any outstanding amounts. Before accepting any new customer, the Fund uses credit vetting procedures to assess the potential customer's creditworthiness and defines credit limits by customer. Limits attributed to customers are reviewed on an ongoing basis.

Pension contribution debtors
The pension debtors arise as a result of non-remittance of employees and employers pension contributions from all ministries and the defence forces. The Fund engages the Government regularly to release the contributions within the stipulated time frame.

The risk of default is insignificant because The Government of the republic of Zambia is the guarantor of the scheme and every year a letter of comfort is provided to address the going concern of the Fund. The accumulation of pension arrears is mitigated by the provision of a budget line in the national budget. Management believes that the impact of the possible impairment on the contributions is immaterial.

The Fund has provided fully for all receivables over 120 days because past experience is such that rent receivables that are past due beyond 120 days are generally not recoverable. Rent receivable between 60 days and 120 days are provided for based on the estimated irrecoverable amounts from the letting of the properties, determined by reference to past default experience.

Loans and advances
The home loans are given to members of the scheme who have served for a minimum of five years and confirmed in the public service as permanent and pensionable. The collateral for default is mortgage itself and the members pension benefits that are paid out upon retirement or death by Public Service Pensions Fund.

The Fund uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Fund use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Definition of default

The Fund considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued

(b) Credit risk (continued)

Definition of default

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Fund and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Fund's expected loss calculations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Fund expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Fund includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Fund's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Notes to the Annual Financial Statements (continued)

3. **Financial risk management objectives and policies (continued**

(b) Credit risk (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Fund's maximum exposure to credit risk on these assets.

- Microfine loan Portfolio

ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	2022 Total	2021 Total
	K	K	K	K	K	K
Credit grade						
Investment grade						
Performing Loans	501,455,859	-	-	-	501,455,859	226,136,171
Satisfactory Loans	-	38,928,846	-	-	38,928,846	26,847,184
Non Performing Loans	-	-	93,607,637	-	93,607,637	290,270,710
Gross carrying amount	**501,455,859**	**38,928,846**	**93,607,637**	**-**	**633,992,342**	**543,254,065**
Loss allowance	(50,750,366)	(5,411,498)	(23,961,341)		(80,123,205)	(141,919,631)
Carrying amount	**450,705,493**	**33,517,348**	**69,646,296**	**-**	**553,869,137**	**401,334,434**

- Home ownership loan Portfolio

ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	2022 Total	2021 Total
	K	K	K	K	K	K
Credit grade						
Investment grade						
Performing Loans	127,032,429	-	-	-	127,032,429	-
						164,340,104
Satisfactory Loans	-	1,871,418	-	-	1,871,418	2,933,928
Non Performing Loans	-	-	94,587,074	-	94,587,074	55,103,684
Gross carrying amount	**127,032,429**	**1,871,418**	**94,587,074**	**-**	**223,490,921**	**222,377,716**
Loss allowance	(6,691,006)	(47,555)	(13,336,469)	-	(20,075,030)	(28,697,240)
	120,341,423	**1,823,863**	**81,250,605**	**-**	**203,415,891**	**193,680,476**

- Staff Loan Portfolio

ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	2022 Total	2021 Total
	K	K	K	K	K	K
Credit grade						
Performing Loans	29,055,565	-	-	-	29,055,565	12,565,102
Non Performing Loans	-	-	48,763	-	48,763	48,763
Gross carrying amount	**29,055,565**	**-**	**48,763**	**-**	**29,104,328**	**12,613,865**
Loss allowance	(3,223,051)	-	(4,884)	-	(3,227,935)	(4,482,934)
Carrying amount	**25,832,514**	**-**	**43,879**	**-**	**25,876,393**	**8,130,931**

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued

(c) Liquidity risk

The following table summarizes the maturity profile of the Fund's financial assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The Trustees agree with investment manager on the amount to be invested in assets that can be easily liquidated. All financial liabilities are payable within the year, the Government provides in the National budget every year to clear outstanding pension payments." Staff pension obligations are payable when the employee satisfies the conditions of retirement. There were no changes to the liquidity risk policies and processes during the year.

The table below summarizes the maturity profile of the Fund's financial assets and liabilities based on contractual undiscounted payments.

2022	Within 12 months K	Above one year K	No fixed maturity K	Total K
Assets				
Equity	-	-	**443,205,074**	**443,205,074**
Fixed term deposits	322,835,254	44,157,722	-	**366,992,976**
Government Securities	198,147,673	2,162,185,510	-	**2,360,333,183**
Other debtors	350,300,439	-	-	**350,300,439**
Microfinance loans	189,738,629	521,928,508	-	**711,667,137**
Home Loans	13,749,677	214,946,976	-	**228,696,653**
Staff loans	1,217,201	24,659,192	-	**25,876,393**
Cash and bank	**459,681,571**	-	-	**459,681,571**
Total financial assets	**1,535,670,444**	**2,967,877,908**	**443,205,074**	**4,946,753,426**
Liabilities				
Benefits payable	1,050,571,660	-	-	**1,050,571,660**
Other payables	38,494,451	-	-	**38,494,451**
Long Term Liabilities	-	924,808,836	-	**924,808,836**
Total financial liabilities	1,089,066,111	924,808,836	-	**2,013,874,947**
Net asset/(liability)	**446,604,333**	**2,043,069,072**	**443,205,074**	**2,932,878,479**

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

2021	Within 12 months	Above one year	No fixed maturity	Total
	K	K	K	K
Assets				
Equity	-	-	364,557,344	364,557,344
Fixed term deposits	215,989,246	57,332,562	-	273,321,808
Government Securities	159,164,581	2,812,509,270	-	2,971,673,851
Other debtors	55,150,425	-	-	55,150,425
MicroFinance loans	288,237,712	426,142,703	-	714,380,416
Home Loans	61,354,273	254,927,603	-	316,281,876
Staff loans	1,633,608	7,208,780	-	8,842,387
Cash and bank	568,545,945	-	-	568,545,945
Total financial assets	**1,350,075,790**	**3,558,120,918**	**364,557,344**	**5,272,754,052**
Liabilities				
Benefits payable	948,183,511	-	-	948,183,511
Other payables	28,165,995	-	-	28,165,995
Long Term Liabilities	289,450,874	1,578,576,047	-	1,868,026,921
Total financial liabilities	1,265,800,380	1,578,576,047	-	2,844,376,427
Net asset/(liability)	**84,275,410**	**1,979,544,871**	**364,557,344**	**2,428,377,625**

The maturity analysis of the financial assets and liabilities are undiscounted. The maturity analysis above does not include the present value of the obligation which is an off-balance sheet liability as it is not established when the liability would be settled.

(d) Fair values of financial assets and liabilities

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded equity) are based on listed market prices at the close of trading on the reporting date.

Government securities, equity investments and fixed deposits are measured at fair value. Home loans, Microfin loans and staff loans are measured at amortized cost and adjusted for ECL allowance as per IFRS 9.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(d) Fair values of financial assets and liabilities (continued)

The following table presents the Funds' financial assets that are measured at fair value or for which fair value is disclosed at 31 December 2022

Financial instruments by level

	Level 1	**Level 2**	**Level 3**
31 December 2022	**K**	**K**	**K**
Assets			
Government securities	-	**1,716,419,507**	-
Equity investments	**443,205,074**	-	-
Fixed deposits	-	-	**354,367,170**
	443,205,074	**1,716,419,507**	**354,367,170**

	Level 1	Level 2	Level 3
31 December 2021	K	K	K
Assets			
Government securities	-	1,046,050,705	-
Equity investments	364,557,344	-	-
Fixed deposits	-	-	262,295,102
	364,557,344	1,046,050,705	262,295,102

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices(unadjusted) in active markets for identical assets (level 1)
- Inputs other than quoted shares included in level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets that are not based on observable market data (that is , unobservable data) (level 3)

All fair value measurements disclosed are recurring fair value measurements, required for the purposes of measuring the Fund's assets at fair value. During the year no transfers were made amongst the different levels.

Level 2 valuation

These include inputs other than quoted shares included in level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These take into account valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. The input used in the valuation of these instruments is based on market rates for comparable instruments based on similar quoted rates provided to the Fund by similar institutions or, in the case of government bonds, latest published Government auctions.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(d) Fair Value of Financial Assets and Liabilities (continued)

Level 3 valuation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Level 3 valuations are reviewed monthly by the Fund's investment team who report to the Board of Trustees. Due to the nature of the financial assets in this category adjustments are only made annually. The Fund's investment team considers the appropriateness of the valuation model inputs, as well as the valuation results using various valuation methods and techniques generally recognized as standard within the industry.

Offsetting financial assets

Financial assets and liabilities are only off-set and the net amount reported in the statement of net assets available for benefit where the Fund currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(e) Capital risk management

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide benefits for members and maintain a strong capital base to support the development of the investment activities of the Fund.

Notes to the Annual Financial Statements (continued)

4. Benefits expense

	2022 K	2021 K
Pensions	**790,116,202**	647,835,238
Commutation and lump sum retirement benefits	**1,735,804,850**	746,858,779
Lump sum payments on early retirement and death of members	**1,106,970,688**	283,757,239
	3,632,891,740	1,678,451,256

5. Investment income

	2022 K	2021 K
Rents income	**14,845,457**	5,398,734
Less: Operating expenses on investment properties	**(4,784,422)**	(1,979,397)
Net rental income	**10,061,035**	3,419,337
Dividends receivable		
- Listed shares	**23,928,341**	20,114,315
Interest receivable		
- Micro Finance interest income	**141,257,734**	145,942,694
- Micro Finance handling fees	**1,531,138**	753,572
- Micro Finance insurance fees	**451,030**	51,208
- Fixed income securities		
Government Bonds	**313,761,701**	199,051,081
Fixed Deposits	**66,383,771**	50,285,342
Interest on Corporate Bonds	**890,490**	419,780-
- Members' homeownership scheme	**25,280,667**	27,533,370
Crown Agents investment revaluation gain/(loss)	**(12,452,133)**	(2,301,784)
Homeownership Scheme - Fair Value adjustment	**2,390,881**	(1,066,568)
	573,484,655	444,202,348

Interest income is recognized in the statement of changes in net assets available for benefits for all interest-bearing financial instruments using the effective interest method.

Notes to the Annual Financial Statements (continued)

6. (a) Property and equipment

	Leasehold Buildings	**Office Equipment**	**Motor Vehicles**	**Furniture and fittings**	**Total**
At 1 January 2021					
Opening NBV	2,083,705	1,862,886	584,264	1,190,765	5,721,620
Additions	-	631,918	6,329,664	602,040	7,563,623
Disposal	-	(73,938)	-	-	(73,938)
Depreciation on disposal	-	64,760	-	-	64,759
Transferred Depreciation charge	-	3,251	-	(3,251)	-
Depreciation charge	(65,979)	(796,095)	(829,879)	(216,575)	(1,908,529)
31 December 2021	2,017,726	1,692,782	6,084,049	1,572,978	11,367,535
Cost	3,370,000	12,001,898	11,159,359	6,239,934	32,771,191
Accumulated depreciation	(1,352,274)	(10,309,116)	(5,075,310)	(4,666,956)	(21,403,656)
31 December 2021	2,017,726	1,692,782	6,084,050	1,572,978	11,367,535
At 1 January 2022					
Opening NBV	2,017,726	1,692,782	6,084,050	1,572,978	11,367,535
Additions	-	2,489,098	1,119,888	1,241,056	4,850,042
Disposal	-	(20,779)	-	-	(20,779)
Depreciation on disposal	-	17,847	-	-	17,847
Transferred Depreciation charge	-	3,251	-	(3,251)	-
Depreciation charge	(65,979)	(901,124)	(1,759,729)	(334,774)	(3,061,605)
31 December 2022	1,951,747	3,281,075	5,444,208	2,476,009	13,153,040
Cost	3,370,000	14,470,217	12,279,247	7,480,990	37,600,454
Accumulated depreciation	(1,418,253)	(11,189,142)	(6,835,039)	(5,004,981)	(24,447,414)
31 December 2022	1,951,747	3,281,075	5,444,208	2,476,009	13,153,040

6 (b) Intangible Assets

	2022 **K**	2021 K
Opening Net Book Value	**559,190**	82,154
Additions	**417,600**	-
Transfer from Work-in Progress	**-**	671,029
Less Depreciation	**(111,837)**	(193,993)
Closing Net Book Value	**864,953**	559,190

Notes to the Annual Financial Statements (continued)

6 (c) Capital Work in Progress

	2022	2021
	K	K
As at 1 January	**1,445,095,893**	1,206,054,941
Additions	**145,761,952**	239,717,156
Transfers out to Investment Property	**(1,199,186,341)**	(676,204)
At 31 December	**391,671,504**	1,445,095,893

This represent construction works completed at Alick Nkhata Road property and will be reclassified to investment property upon full completion. The mall and office block portion of the project had been completed and commissioned in December 2022 and were transferred to investment property measured at fair value.

The Industrial Commercial Bank of China (ICBC) had provided a line of credit of USD 61 million for the construction of the Alick Nkhata Road property. The loan bears interest at 6 months LIBOR plus 300 basis points which is payable semi-annually. The interest rate as at 31 December 2022 stood at 2.16% (2021: 3.77% per annum).

With the LIBOR rate being phased out in June 2023, the Fund will transition to Synthetic LIBOR upto September 2024 with a possibility of adopting a more permanent alternative reference rate thereafter.

7. Administrative expenses

The increase in net assets for the year is arrived at after charging the following items:

	2022	2021
	K	K
Bank charges	**3,365,217**	3,846,050
Communication expenses	**1,906,584**	296,543
Decentralization expense	**3,429,302**	3,093,364
Depreciation on property plant and equipment	**3,173,443**	2,102,519
Audit fees	**241,075**	1,104,996
Trustees fees	**324,000**	436,200
Trustees allowances	**1,546,515**	2,474,539
Legal and professional fees	**1,484,860**	1,001,152
Repairs and maintenance	**8,948,596**	1,695,243
Stationery	**1,126,169**	572,255
Employee benefit expenses		
- Salaries	**61,303,462**	50,646,248
- Redundancies and Other staff costs	**91,072,556**	53,852,042
- Staff inhouse pension costs	**322,062**	259,145
- staff adjustments	**13,244,759**	44,251,773
Other administration expenses	**17,321,760**	11,345,273
	208,810,362	176,977,342

Notes to the Annual Financial Statements (continued)

8. Investment properties

	2022 K	2021 K
At start of year	**253,426,748**	243,988,592
Fair value (loss)/gains	**(169,381,297)**	9,438,156
Reallocation from CWIP	**1,199,186,341**	-
At end of year	**1,283,231,792**	253,426,748

The Funds' investment properties were valued at 31 December 2022 by Liberty Property Consultants who are independent and professionally qualified valuers, have recent experience in the location category of the respective investment property.

Basis of valuation

The Funds' properties are valued individually, and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended. The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, as recognized by the Surveyors Institute of Zambia, Valuation Chapter.

Method of valuation
Land and Buildings
The land and buildings have been valued using the direct comparison. This method has been adopted as the most appropriate for the purpose of the valuation as there are enough comparisons available on the open market for land and building.

Description of valuation techniques used and key inputs to valuation on investment properties:

Property	**Valuation Technique**	**Significant unobservable inputs**
Residential property	Direct comparison	Comparable properties transacted prices
Commercial property	Direct comparison	Comparable properties transacted prices
Undeveloped land	Direct comparison	Comparable properties transacted prices

Quantitative information of significant unobservable inputs – Level 3

Property	**Valuation Technique**	**Significant inputs**	**2022 Range**	2021 Range
Residential Property	Direct comparison	Price per month	**2000 – 15,000**	2000 – 15,000
Commercial Property	Direct comparison	Price per sqm	**150 - 650**	150 - 650
Undeveloped	Direct comparison	Price per sqm	**8,000,000**	8,000,000

Notes to the Annual Financial Statements (continued)

8. Investment properties (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the Fund's portfolios of investment property comprise comparable properties transacted prices.

Significant increases/(decreases) in the comparable properties transacted prices would result in a significant higher/(lower) fair value measurement as highlighted on note 2(b).

The Fund does not lease out its investment property under finance leases, but under operating leases. The leases are for terms of one year.

Below is the breakdown of the income and expenses attributable to the investment properties:

	2022	2021
	K	K
Rental Income	**14,845,457**	5,398,734
Less: Operating expenses	**(10,945,729)**	(1,979,397)
Net rental income	**3,899,728**	3,419,337

All operating expenses relate to investment property that generated rental income during the year.

9. Loans and advances to customers and staff

	2022			2021		
	Gross Carrying Amount	**ECL Allowance**	**Carrying Amount**	Gross Carrying Amount	Impairment Allowance	Carrying Amount
	K	**K**	**K**	K	K	K
Microfin Loans	**633,992,342**	**(80,123,205)**	**553,869,137**	543,254,064	(141,919,630)	401,334,434
Home Ownership Loans	**223,490,921**	**(20,075,030)**	**203,415,891**	222,377,716	(28,697,240)	193,680,476
Staff Loans	**29,103,928**	**(3,227,935)**	**25,875,993**	12,613,865	(4,482,934)	8,130,931
	886,587,191	**(103,426,170)**	**783,161,021**	778,245,645	(175,099,804)	603,145,841

				2022	2021
	Microfin	Home ownership	Staff	**Total**	
	K	K	K	**K**	K
Current	189,738,629	13,749,677	704,625	**204,192,931**	59,385,231
Non current	364,130,508	189,666,214	25,171,368	**578,968,090**	543,760,610
	553,869,137	**203,415,891**	**25,875,993**	**783,161,021**	603,145,841

Notes to the Annual Financial Statements (continued)

9. Loans and advances to customers and staff (continued)

(i) Gross carrying amount-Portfolio reconciliation

The following table further explains changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

2022 Loan Carrying Amounts

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	K	K	K	K
Gross carrying amount as at 1 January 2022	**617,985,814**	**3,125,285**	**157,134,546**	**778,245,645**
Transfers:				
Transfer to stage 1	236,542,213	(24,077,367)	(212,464,846)	-
Transfer to stage 2	(9,877,455)	23,252,618	(13,375,163)	-
Transfer to stage 3	(19,020,314)	(4,464,197)	23,484,511	-
New financial assets originated or purchased	107,175,552	15,466,666	23,095,755	**145,737,973**
Modification and other movements of contractual cash flows of financial assets	(67,617,914)	22,208,313	8,013,174	(37,396,427)
Gross carrying amount as at 31 December 2022	**657,543,452**	**40,800,264**	**188,243,475**	**886,587,191**

2021 Loan Carrying Amounts

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	K	K	K	K
Gross carrying amount as at 1 January 2021	**603,381,476**	**7,379,504**	**142,593,957**	**753,354,937**
Transfers:				
Transfer to stage 1	50,299,438	(2,421,586)	(47,877,852)	-
Transfer to stage 2	(13,844,913)	23,786,850	(9,941,936)	-
Transfer to stage 3	(198,224,562)	(2,650,705)	200,875,267	-
New financial assets originated or purchased	36,531,181	2,740,368	29,961,896	69,233,445
Modification and other movements of contractual cash flows of financial assets	(21,926,843)	(6,994,587)	(15,421,307)	(44,342,737)
Gross carrying amount as at 31 December 2021	**617,985,814**	**3,125,285**	**157,134,546**	**778,245,645**

Notes to the Annual Financial Statements (continued)

9. Loans and advances to customers and staff (continued)

(ii) Expected Credit Loss Recon- Portfolio Reconciliation

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

2022 Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	K	K	K	K
Loss allowance as at 1 January 2022	**72,786,920**	**10,209,554**	**92,103,330**	**175,099,804**
Movements without P&L impact				
Transfers:				
Transfer to stage 1	23,638,940	(2,392,650)	(21,246,289)	-
Transfer to stage 2	(933,453)	2,324,437	(1,390,985)	-
Transfer to stage 3	(3,334,507)	(1,161,020)	4,495,528	-
Total net P&L charge during the period	**19,370,980**	**(1,229,233)**	**(18,141,746)**	**-**
Other movements with P&L impact				
New financial assets originated or purchased	8,577,808	2,933,402	6,134,116	17,645,326
Modification and other movements of contractual cash flows of financial assets	(20,700,304)	(7,683,903)	(60,934,752)	(89,318,959)
Charge/(credit) to profit and loss	(12,122,496)	(4,750,501)	(54,800,636)	**(71,673,633)**
Loss allowance as at 31 December 2022	**60,664,424**	**5,459,053**	**37,302,694**	**103,426,171**

2021 Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	K	K	K	K
Loss allowance as at 1 January 2021	**46 504 324**	**3 098 261**	**73 689 556**	**123 292 141**
Movements without P&L impact				
Transfers:				
Transfer to stage 1	12,708,748	(609,348)	(12,099,400)	-
Transfer to stage 2	(4,965,865)	8,783,544	(3,817,679)	-
Transfer to stage 3	(54,225,314)	(635,832)	54,861,146	-
Total net P&L charge during the period	**(46,482,431)**	**7,538,364**	**38,944,067**	**-**
Other movements with P&L impact				
New financial assets originated or purchased	6,989,438	1,167,659	8,426,865	16,583,962
Modification and other movements of contractual cash flows of financial assets	19,293,158	5,943,634	9,986,909	35,223,701
Charge/(credit) to profit and loss	26,282,596	7,111,293	18,413,774	**51,807,663**
Loss allowance as at 31 December 2021	**72,786,920**	**10,209,554**	**92,103,330**	**175,099,804**

Notes to the Annual Financial Statements (continued)

10. Other investments

Year ended 31-Dec-22

	Value at 01-Jan-22	Purchases At cost	Interest earned	Disposals	Change in Fair value	Value at 31-Dec-22
	K	K	K	K		K
Financial assets at fair value through profit or loss						
Equity						
- listed shares (Zambia)	364,557,344	-		-	78,647,731	443,205,075
Government Securities						
Government Bonds	1,046,050,705	613,679,796	313,761,702	(257,072,695)	-	1,716,419,508
Fixed Term deposits						
Fixed term deposits(Zambia)	204,962,540	292,205,796	18,003,652	(204,962,540)	-	310,209,448
Fixed term deposits(offshore)	57,332,563	-	(13,174,841)	-		44,157,722
Total deposits	**262,295,103**	**292,205,796**	**4,828,810**	**(204,962,540)**	**-**	**354,367,169**
	1,672,903,152	905,885,592	318,590,513	(462,035,235)	78,647,731	2,513,991,752

Fixed term deposits are made for a period of twelve months.

Year ended 31-Dec-21

	Value at 01-Jan-21	Purchases At cost	Interest earned	Disposals	Change in Fair value	Value at 31-Dec-21
	K	K	K	K		K
Financial assets at fair value through profit or loss						-
Shares	146,823,365	-	-	1,811,178	215,922,801	364,557,344
- listed shares (Zambia)						-
Government Securities						
Government Bonds	541,417,295	443,119,594	199,051,081	(137,537,265)	-	1,046,050,705
Fixed Term deposits						
Fixed term deposits (Zambia)	172,516,765	182,469,893	22,492,646	(172,516,765)	-	204,962,539
Fixed term deposits (offshore)	75,667,942	-	(18,335,379)	-	-	57,332,563
Total deposits	**248,184,707**	**182,469,893**	**4,157,267**	**(172,516,765)**	**-**	**262,295,102**
	936,425,367	625,589,487	203,208,348	(308,242,852)	215,922,801	1,672,903,151

Notes to the Annual Financial Statements (continued)

10. Other investments (continued)

The Funds individual investments as a percentage of the net assets of the Fund are:

	2022 Amount K	2021 Amount K	**2022 % of net assets**	2021 % of net assets
Equity investments	**443,205,074**	364,557,344	**11%**	10%
Investment property	**1,283,231,792**	253,426,748	**33%**	7%
Government securities	**1,704,517,475**	1,046,050,705	**43%**	29%
Fixed term deposits	**354,367,170**	262,295,102	**9%**	7%
Microfinance loans	**553,869,137**	401,334,434	**14%**	11%
Home loans Fund	**203,415,891**	193,680,476	**5%**	5%
Capital work in progress	**391,671,504**	1,445,095,893	**10%**	40%
Total investments	**4,934,278,043**	3,966,440,702		
Net assets/(liabilities)	**3,940,590,362**	3,610,950,328		

Investments in Government Securities and Investment property account for 46% and 35% of total net assets, respectively. These percentages exceed the 20% threshold prescribed by the Public Service Pensions (PSP) Act No. 35 of 1996 CAP 260 of the Laws of Zambia, the board is currently engaging the Government on the amendment of the PSPF Act. The amendment will prescribe revised investment thresholds for the board to adhere to in the near future.

The Investment of the Fund at 31 December 2022 comprised the following:

	2022	2021	**2022 % of assets**	2021 % of assets	**Limit**
	K	K	**%**	%	**%**
Equity investments	**443,205,074**	364,557,344	**12%**	10%	20%
Investment property	**1,283,231,792**	253,426,748	**35%**	7%	20%
Government Securities	**1,716,419,507**	1,046,050,705	**46%**	29%	20%
Fixed and time deposits	**354,367,170**	262,295,102	**10%**	7%	20%
Microfinance	**553,869,137**	401,334,434	**15%**	11%	20%
Home loans	**203,415,891**	193,680,476	**6%**	5%	20%
Staff loans	**25,876,393**	8,130,931	**1%**	0%	20%

Notes to the Annual Financial Statements (continued)

10. Other investments (continued)

The Fund does not hold any single investment exceeding 5% of the respective class or type of security in one institution except for the following:

	2022	2021	2022	2021
			% of	% of
	Value	Value	investment	investment
Equity	K	K	class	class
Lafarge Cement Plc	**35,731,170**	36,986,300	8%	9%
National Breweries Plc	**20,937,810**	46,982,404	5%	12%
ZANACO Plc shares	**95,360,265**	56,797,650	22%	15%
Zambia Sugar Plc	**164,339,892**	132,384,913	37%	34%
Puma Zambia	**39,122,435**	29,586,342	9%	8%
Copperbelt Energy Corp	**51,923,807**	36,401,611	12%	9%
Fixed deposits				
ZICB	173,039,390	69,218,697	38%	38%
Atlasmara	66,481,215	46,959,346	26%	26%
Indo Bank	-	27,291,851	-	15%
ZANACO	35,000,000	35,000,000	10%	19%

Foreign exchange gains/(losses) comprises the following items:

	2022	2021
	K	K
Offshore fixed deposits	**(828,924)**	15,655,868
Foreign currency denominated cash and bank amounts	**7,999,535**	4,512,589
Other foreign currency denominated transactions	**(61,434,985)**	(230,974,353)
	(54,264,374)	(210,805,896)
Realized exchange (losses)/gains	**7,170,611**	4,512,589
Unrealised exchange losses on borrowings	**(61,434,984)**	(215,318,485)
	(54,264,374)	(210,805,896)

Notes to the Annual Financial Statements (continued)

11. Contributions due

	2022 K	2021 K
Outstanding for more than 30 days	**9,289,379**	**887,390,371**
	9,289,379	**887,390,371**

The Fund charges Interest on contributions due using the Bank of Zambia Policy Rate on the monthly outstanding amount except for the year 2016 to 2021. All contributions are expected in the month they are deducted. The interest on contributions is not recognised on an accrual's basis.

As at 31 December, the aging analysis of contributions due is, as follows:

	Total K	30-60 days K	61-90 days K	91-120 days K	>120 days K
2022	**9,289,379**	**9,289,379**	-	-	-
2021	**887,390,371**	**26,610,567**	**13,323,951**	**13,287,761**	**834,168,092**

12. Other receivables and accrued income

	2022 K	2021 K
Other receivables	**79,744,354**	53,537,411
Rent receivable	**10,832,641**	1,613,014
Total other receivable and accrued income	**90,576,995**	55,150,425

As at 31 December, the aging analysis of other receivables and accrued income is, as follows:

	Total K	30-60 days K	61-90 days K	91-120 days K	>120 days K
2022	**90,576,995**	**5,894,815**	**3,629,638**	**293,077**	**80,759,465**
2021	55,150,425	3,629,638	293,077	180,703	51,047,007

Included in other receivables and accrued income are rental debtors and dividend receivables. The rental receivables are due on the lease anniversary while the dividend receivable is due on declaration.

Notes to the Annual Financial Statements (continued)

13. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash at bank and Fixed deposits with original maturity of less than three months.

	2022 K	2021 K
Cash at bank	**459,681,573**	568,545,945
	459,681,573	568,545,945

14. Benefits payables

	2022 K	2021 K
Pensions	**67,033,365**	62,174,234
Commutation and lump sum retirement benefits	**660,732,295**	618,798,722
Lump sum payments on early retirement and death of members	**322,806,000**	267,210,555
	1,050,571,660	948,183,511

Reconciliation of the benefits payable

	2022 K	2021 K
Balance at 1 January	**948,183,511**	1,600,139,392
Accrued during the year	**3,632,891,739**	1,678,451,256
Paid during the year	**(3,530,503,590)**	(2,330,407,138)
Balance at 31 December	**1,050,571,660**	948,183,510

15. Other payables and accrued expenses

	2022 K	2021 K
Local creditors	**10,111,441**	1,997,026
Homeownership contributions	**4,141,487**	4,108,548
Accruals and provisions	**24,241,523**	22,060,421
	38,494,451	28,165,995

Notes to the Annual Financial Statements (continued)

16. Staff pension liability

The movement in the defined benefit obligation over the year was as follows:

	2022	2021
	K	K
Projected benefit obligation at start of year	**31,342,050**	34,319,974
Projected restated benefit obligation at start of year	**31,342,050**	34,319,974
Interest cost	**8,148,934**	11,497,193
Benefits paid	**(22,999,607)**	(44,165,632)
(Gains)/loss from change in financial and demographic assumptions	**(1,910,719)**	15,007,728
Experience (gains)/ losses	**(4,084,711)**	14,682,787
Projected benefit obligation at year end	**10,495,947**	31,342,050

The amounts recognized in the statement of changes in net assets for the year are as follows:

	2022	2021
	K	K
Interest cost	**8,148,934**	11,497,192
(Gains)/loss from change in financial and demographic assumptions	**(1,910,719)**	15,007,728
Experience (gains)/ losses	**(4,084,711)**	14,682,788
Total included in employee benefits expense (Note 4)	**2,153,504**	41,187,708

Five year summary:	**2022**	**2021**	**2020**	**2019**	**2018**
	K	**K**	**K**	**K**	**K**
Present value of defined benefit obligation	**10,495,949**	**31,342,050**	**34,319,974**	**15,548,843**	**17,927,640**
Deficit in the plan	**10,495,949**	**31,342,050**	**34,319,974**	**15,548,843**	**17,927,640**
Total movement for the year	(20,846,101)	(2,977,924)	18,771,131	(2,378,797)	(650,295)

Staff pension liability is a defined benefit pension scheme which relates to PSPF's unfunded pension liability for its employees as at 31 December 2022 based on the actuarial valuation by Quantum Consultants and Actuaries. The valuation was performed using the projected unit Credit method. The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of retirement benefits. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The plan has no Board of Trustees and the responsibility for governance of the plans lies with the Fund's management. All payments paid under the scheme are through the normal operational costs. The staff pension Fund is subject to annual actuarial revaluation. The resulting actuarial gains and losses are recognized in the statement of changes in net assets available for benefits.

Notes to the Annual Financial Statements (continued)

16 Staff pension liability (continued)

Prior to 1 January 2015, the Fund had a staff non-contributory pension scheme. The present value calculated is based on the benefits accrued based on the salary and service to 31 December 2014, and determined the liabilities as at December 2022.

The significant actuarial assumptions were as follows:

	2022	2021
Discount rate	**27.75%**	26.0%
Salary Inflation	**19.20%**	19.20%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2022 Impact on defined benefit obligation

	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by K941,101	Increase by K1,047,272
Salary increase	1%	Increase by K1,919,851	Decrease by K1,631,048

2021 Impact on defined benefit obligation

	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by K2,745,742	Increase by K3,063,197
Salary increase	1%	Increase by K5,329,407	Decrease by K4,565,868

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the Statement of changes in net assets available for benefits.

Through its defined benefit pension plans, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in government bond yields will increase plan liabilities. Moreover, there are no plan assets invested in government bonds, hence a change in government bond yield rates may have a more impact on the plan if it differs from the employer's opportunity cost of benefit provision.
Changes in salaries	The plan benefits are calculated with reference to employees' salaries; An increase in salaries will increase the plan liabilities. The risk becomes higher as the expectations of short-term inflation increase, due to the weakened strength of the Zambian Kwacha against other currencies.
Liquidity	The plan is unfunded, posing a risk in that resources are not available when needed to pay benefits that have become due.

Notes to the Annual Financial Statements (continued)

16 Staff pension liability (continued)

The weighted average duration of the defined benefit obligation is 12.5 years. Expected maturity analysis of undiscounted pension benefits:

At 31 December 2022	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	-	-	K455,296	K7,073,746	K7,529,042

At 31 December 2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	5,561,715	-	K3,166,561	K11,351,072	K20,079,348

The staff pension Fund is subject to annual actuarial valuation. The resulting actuarial gains and losses are recognized in the statement of changes in net assets available for benefits in administrative expenses.

17. Tax status of the scheme

The Public Service Pensions Scheme is an approved Fund under the fourth schedule of the Income Tax Act Chapter 323 ("the Principle Act"). Consequently, it is exempt from income taxes under paragraph 5 of the second schedule of the Principle Act.

18. Statutory Actuarial position

The actuarial valuation was performed for the year ended 31 December 2020 by Independent Actuaries & Consultants (Pty) Ltd, an independent firm of actuaries, using the attained age method. The assumptions adopted at the previous valuation performed for the year ended 31 December 2017 remained unchanged, except for the family statistics assumptions In the previous valuation it. According to the valuation at that date, the actuarial present value of promised retirement benefits was as shown below:

	2020 K	2017 K
Accrued liabilities		
Present value of accrued liabilities as at 31 December	51,958,000,000	47,393,000,000
Assets		
Present value placed on Fund assets available for benefits as at 31 December	(1,538,000,000)	(1,217,000,000)
Actuarial shortfall		
Excess of accrued liabilities over assets	50,420,000,000	46,176,000,000

Notes to the Annual Financial Statements (continued)

18 Statutory Actuarial position (continued)

The principal actuarial assumptions used were as follows:

- Salary escalation rate	30.0% per annum
- Valuation interest rate	34.0% per annum
- Pension increases	27.0%per annum
- Inflation rate	30.0% per annum

No allowance has been made for any increase to pensions on the basis that no provision is made for explicit pension increases in the PSPF Act. The Fund utilises the actuary for periodic advice and in assessing the financial condition of the plan as well as the investment performance and operating efficiency of the plan. The deficit identified by the actuary is to be funded in full by the Zambian Government and is not recognized in these annual financial statements. The government is currently evaluating options for funding the deficit.

The principal demographic assumption on mortality is based on standard tables. Active member mortality is based on the SA56-62 life table. Pensioner mortality is based on the (55) ultimate life table.

As explained in this note, the valuations and assumptions are based on the last actuarial valuation performed for the year ended 31 December 2020. The next valuation is supposed to be performed as at 31 December 2023 in accordance with the three year valuation cycle required by the PSPF Act.

19 Contingent liabilities

The fund is a part to some cases under the courts of law relating to disputed pension benefit payments. Other contingent liabilities relate to obligations that may arise in the event that the contract with the contractor on the mall and hotel at Alick Nkhata project were to be prematurely terminated.

20 Related party transactions

The entity is owned by the Government of the Republic of Zambia through an act of parliament PSPF Act No. 35 of 1996.

Related parties comprise the Trustees, the participating government of Zambia ministries, and companies which are related to these parties through common shareholdings or common Trusteeships.

Notes to the Annual Financial Statements (continued)

20 Related party transactions (continued)

In addition to contributions receivable (Notes 3(b) and 12) and the payment of Trustees' fees disclosed in Note 7, the following transactions were carried out with related parties during the year:

		2022 K	2021 K
(i)	**Expenditure**		
	Trustees fees	**324,000**	**436,200**
	Trustees allowances	**1,546,515**	**2,474,539**

		2022 K	2021 K
(ii)	Key management compensation		
	Salaries and other short term employment benefits, and Trustees fees	**9,118,324**	**8,366,424**
	Pension Contributions – All	**1,142,263**	**1,249,247**

Key management personnel include the Chief executive, who is also secretary of the board, and four Trustees. Included in the Salaries and other short-term employment benefits and Trustee's fees are salaries paid to management amounting to **K5,725,529** (2021: **K5,195,223**) and Trustee's fees and allowances amounting to **K3,392,795**(2021: **K3,171,201**).

21 Government early retirement Funding

The government provides a grant to aid the Fund in paying for early retirement cases in the defense forces and deceased pensioners. Ordinarily the Fund is supposed to cater for pensioners that attain statutory retirement at the age of 55 years, the government pays out this grant as budgeted for in the National Budget. These are recognized when the amount has been communicated to the Fund by the ministry of Finance. At the year end the Funding amounted to **K327,157,031 (**2021: K227,587,500).

Notes to the Annual Financial Statements (continued)

22 Financing gap funds

Financing gap Funds represents budgetary allocation received from the Government of Zambia to finance pension benefits due during each financial year. The financing gap Funds are recognized when the amount has been communicated to the Fund by the ministry of Finance. At the end of the year the Financing gap amounted to **K1,739,885,448** (2021: K1,839,246,415).

23 Other income

The other income represents the following items:

	2022	2021
	K	K
Interest on staff loans	**431,135**	**440,880**
Staff loans mark to market	**6,540,899**	**5,981,502**
Operational income	**596,248**	**3,305,107**
Medical contribution	**318,820**	**328,888**
Interest on Contributions	**230,906,512**	**-**
	238,793,613	**10,056,377**

Interest on Contributions relates to interest on pension contribution arrears paid by the Treasury in the year. The interest on contributions is not recognised on an accrual's basis.

24 Long Term Liability

The movement in long term liability over the year was as follows.

*Interest payments have been capitalized and included under capital work in progress (see note 6)

At start of year	**878,943,217**	**1,116,210,433**
Drawdowns	**-**	**-**
Repayment	**(187,312,913)**	**-**
Exchange difference	**61,434,984**	**(237,267,216)**
At end of year	**753,065,288**	**878,943,217**

The Fund has acquired a loan from the Industrial Commercial Bank of China to fund the construction of a mall and hotel at the Alick Nkhata property. The tenure of the loan is fifteen years with three years moratorium at an interest rate of LIBOR Plus 3%. The loan facility is guaranteed by the Government of Zambia through the Ministry of Finance.

25 Subsequent events

After the year end, the Fund in 2023 received a total of K2.02billion from the government and a further allocation of K2.38 billion was provided for in the National budget.

Statement of net assets available for benefits

	Notes	2022 K	2021 K
Assets			
Property plant and equipment	6(a)	**13,153,040**	11,367,535
Intangible Assets	6(b)	**864,953**	559,191
Work-In-Progress	6(c)	**391,671,504**	1,445,095,893
Investment properties at fair value	8	**1,283,231,792**	253,426,748
Staff loans	9	**25,875,993**	8,130,931
Home loan scheme	9	**203,415,891**	193,680,476
Microfinance loans	9	**553,869,137**	401,334,434
Equity Investment at fair value	10	**443,205,074**	364,557,344
Fixed deposit	10	**354,367,170**	262,295,102
Government securities	10	**1,716,419,507**	1,046,050,705
Contributions due	11	**9,289,379**	887,390,371
Other receivables and accrued income	12	**90,576,995**	55,150,425
Cash and bank	13	**459,681,573**	568,545,945
Total assets		**5,545,622,008**	5,497,585,100
Liabilities			
Benefits payables	14	**(1,050,571,660)**	(948,183,511)
Other payables and accrued expenses	15	**(38,494,451)**	(28,165,995)
Staff pension liability	16	**(10,495,947)**	(31,342,050)
Long Term Loan	24	**(753,065,288)**	(878,943,217)
Total liabilities		**(1,852,627,346)**	(1,886,634,773)
Net assets available for benefits		**3,692,994,662**	3,610,950,327

The annual financial statements on pages 13 to 57 were approved for issue by the Trustees on............................2024 and signed on their behalf by:

Board Chairman

Trustee

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Statement of cash flows

	Notes	2022 K	2021 K
Cashflows from operating activities			
Contributions received		2,038,159,012	1,127,508,389
Government funding and financing gap received		2,067,042,479	2,066,833,915
Other income		203,367,044	22,410,034
Benefits paid to retiring members		(3,530,503,590)	(2,330,407,138)
Administrative expenses		(258,451,933)	(221,923,825)
Net cash from operations of the Fund		519,613,012	664,421,375
Cashflow from Investing activities			
Investment income received		564,160,871	95,004,595
Purchase of property and equipment	6(a,b)	(5,267,642)	(7,563,623)
Work in progress	6(c)	(145,761,952)	(239,717,156)
Staff loans issued		(58,162,548)	(25,184,076)
Staff loans repayments		40,417,486	56,063,258
Home loans issued		(20,137,238)	(9,932,993)
Home loan scheme repayments received		29,872,653	40,131,237
Purchase of fixed term deposits	10	(292,205,796)	182,469,893
Purchase of Government bonds	10	(613,679,796)	(443,119,594)
Purchase of equity investments	10	-	(1,811,177)
Microfin loans issued		(218,815,453)	(43,818,003)
Microfin loans repayments		66,280,750	192,725,960
Proceeds from maturity & disposal of deposits	10	204,962,540	(172,516,766)
Proceeds from disposal		1,043	10,159
Net cash from investing activities		(448,335,081)	(377,258,286)
Cashflow from Financing Activities			
Long Term Loan		(187,312,913)	-
Net increase in cash and cash equivalents		(116,034,983)	287,163,089
Cash and cash equivalents at start of the year		568,545,945	276,870,267
Net increase in Cash and cash equivalents		(116,034,983)	287,163,089
Exchange gains on cash and cash equivalents		7,170,611	4,512,589
Cash and cash equivalents at end of the year	14	459,681,573	568,545,945

The notes on pages 16 to 57 form an integral part of these annual financial statements.

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