

**ZB FINANCIAL HOLDINGS GROUP PENSION FUND**

**FINANCIAL REVIEW REPORT AS AT 31 DECEMBER 2023**

**Prepared By**



**AFRICAN**  
**ACTUARIAL**  
**CONSULTANTS**

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## 1. EXECUTIVE SUMMARY

### Introduction

- 1.1. It is our pleasure to present the results of the financial review of the ZB Financial Holdings Group Pension Fund (“the Fund”) as at 31 December 2023.

### Review of the 31 December 2022 review

- 1.2. The previous review as at 31 December 2022 showed that the Fund was financially sound as evidenced by a funding level of 244.94% and a surplus of ZW\$ 5.94 billion.
- 1.3. The Fund’s Trustees voted in favour of the following resolutions as at 31 December 2022:
- a. A final bonus of 346.22%, in respect of Sub Account 1 members and a pension increase of 210.79% was declared to all pensioners;
  - b. A final bonus of 33.76% in respect of Sub Account 2 members, to distribute the entire surplus at the date.

### Key Inter-valuation Events

#### Market Overview

- 1.4. The ZSE All Share index stood at 19,735.17 as at 3 January 2023 and at 192,837.21 as at 31 December 2023, reflecting an 877% growth in the index.
- 1.5. CPI (blended measurement of USD and ZW\$) between the months of January to December 2023 implied an inflation rate of 26.5% over the calendar year.
- 1.6. The Foreign Exchange rate stood at US\$1: ZW\$ 671.45 as at 03 January 2023 and at US\$1: ZW\$ 6,104.74 as at 31 December 2023. This represents an 809% depreciation in the rate.

### Regulatory Changes

Document	Issue Date	Content
Circular 1 of 2023	10 January 2023	Assessment of annual reporting
Circular 2 of 2023	27 January 2023	Request for information on Board of funds and terms of office
Circular 4 of 2023	16 February 2023	Compliance with section 64(4) of the Pension and Provident Funds Act Relating to Compliance of Fund Rules to the Act
Circular 5 of 2023	17 February 2023	Interim measures pending Gazetting of 2009 compensation regulations
Circular 6 of 2023	3 March 2023	Call for comments on the micro-pension's framework
Circular 8 of 2023	16 March 2023	Annual publication of Financial Statements
Circular 10 of 2023	08 March 2023	Issuance of the directive for the Insurance and Pension's industry on equities and Properties Valuation
Circular 18 of 2023	14 June 2023	Notification of Publication of the insurance and Pension (Levy) Regulations, 2023 and Insurance (Amendment) Regulations, 2022
Circular 18 of 2023	Circular 7 of 2023	Micro- Pension Framework
Circular 26 of 2023	1 September 2023	Cyber Security and Data Protection Framework
Circular 39 of 2023	14 December 2023	Proposed Limit on Exposure to Guaranteed Fund

1.7. Trustees are advised to set process in motion to ensure compliance with the deadlines set by the Regulator.

#### **Assets**

1.8. We relied on the draft financial statements, which showed all the three sub accounts as required in the Guideline. The audited financial statements showed Sub account 2 and 3 combined, and we were therefore not able to separate the two for the purposes of completing our report.

1.9. The value of the Fund assets grew from ZW\$ 10.01 billion as at 31 December 2022 to ZW\$93.78 billion and US\$ 683,373 as at 31 December 2023.

1.10. The value of assets held in Sub Accounts 1, 2 and 3 were ZW\$ 86.86 billion, ZW\$ 6.92 billion and US\$ 683,373 respectively, as at the review date.

1.11. We have calculated the rate of return earned in Sub Account 1, 2 and 3, to have been 902.05 %, 42.96% and 4.98% respectively.

1.12. The build-up of the aggregate Fund assets is outlined in **Appendix II** of this report.

1.13. The return earned on Fund assets was higher than that used in discounting pension pay-outs from the Fund. This has yielded a valuation surplus in the pensioners' account at the review date.

### Financial Position

1.14. The Fund's financial position at the review date is summarised below:

	Before bonus Sub Account 1 ZW\$	Before bonus Sub Account 2 ZW\$	Before bonus Sub Account 3 US\$	Overall ZW\$
Active Members	3,929,129,320	4,917,081,602	578,566	8,846,210,922
Paid Exits	419,831,079	38,943,863	-	458,774,942
Deferred Pensions	1,655,605,745	30,930,572	-	1,686,536,317
Pensioners	1,644,397,464	-	-	1,644,397,464
General Reserve	8,208,438,309	968,048,666	95,108	9,176,486,975
<b>Total Liability</b>	<b>15,857,401,917</b>	<b>5,955,004,702</b>	<b>673,674</b>	<b>21,812,406,619</b>
<b>Fair Value of Assets</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>	<b>93,781,982,331</b>
<b>Surplus</b>	<b>71,001,724,655</b>	<b>967,851,057</b>	<b>9,699</b>	<b>71,969,575,712</b>
<b>Funding Level</b>	<b>547.75%</b>	<b>116.25%</b>	<b>101.44%</b>	<b>429.95%</b>

#### Sub Account 1

1.15 The value of Sub Account 1 assets amounted to ZW\$ 86.86 billion at the review date whereas that of Fund liabilities amount to ZW\$15.86 billion. Sub Account 1 was therefore in a financially sound position, with a surplus of ZW\$ 71.00 billion. This translated to a funding level of 547.75%.

1.16 Distributing the emerging surplus implies awarding an annualised bonus of **870.59%** and a pension increase of **870.59%** as at the review date.

#### Sub Account 2

1.17 The value of Sub Account 2 assets amounts to ZW\$ 6.92 billion whereas the value of liabilities amounts to ZW\$ 5.96 billion at the review date. Sub Account 2 was therefore financially sound, with a surplus of ZW\$ 967.85 million. This translated to a funding level of 116.25%.

1.18 Distributing the emerging surplus implies awarding an annualised bonus of **45.85%** as at the review date.

### Sub Account 3

- 1.19 During the course of 2023, active members started remitting contributions denominated in United States Dollars (US\$). The Guideline requires that a Sub Account 3 should be created for all such remittances and their corresponding assets.
- 1.20 The value of Sub Account 3 assets amounts to US\$ 683,373, whereas the value of liabilities amounts to US\$673,674 at the review date. Sub Account 3 was therefore financially sound, with a surplus of US\$ 9,699. This translated to a funding level of 101.44%.
- 1.21 Distributing the emerging surplus implies awarding an annualised bonus of **6.85%** as at the review date.

### Overall Position

- 1.22 Overall, the Fund was in a sound financial position as at 31 December 2023.
- 1.23 The effect of distributing the emerging surplus in line with our recommendations above is summarised in the table below:

	After bonus Sub Account 1 ZW\$	After bonus Sub Account 2 ZW\$	After bonus Sub Account 3 US\$	Overall ZW\$
Active Members	42,472,184,858	5,852,593,671	588,265	48,324,778,529
Paid Exits	4,083,399,516	57,019,876		4,140,419,392
Deferred Pensions	16,134,753,980	45,193,546		16,179,947,526
Pensioners	15,960,349,909	-		15,960,349,909
General Reserve	8,208,438,309	968,048,666	95,108	9,176,486,975
<b>Total Liability</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>	<b>93,781,982,331</b>
<b>Fair Value of Assets</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>	<b>93,781,982,331</b>
<b>Surplus</b>		-		
<b>Funding Level</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Recommendations and Conclusion

- 1.24 Overall, the Fund was in a financially sound position as at 31 December 2023.
- 1.25 We recommend an annualised bonus of **870.59%** and a pension increase of **870.59%** for Sub Account 1, an annualised bonus of **45.85%** for Sub Account 2 and an annualised bonus of **6.85%** for Sub Account 3 as at the review date.

- 1.26 Due to persistent inflationary pressures in the economy, we recommend quarterly bonus declarations. We are available to carry out the quarterly bonus calculations for the Fund.
- 1.27 We further recommend a thorough check of all member records to ensure that all Fund members benefit from the allocation of revaluation gains.

## 2. INTRODUCTION

2.1. African Actuarial Consultants (“AAC”) has been tasked to carry out a financial review of the ZB Financial Holdings Group Pension Fund (“the Fund”), to recommend a final bonus rate to be applied on Member’s Accumulation Accounts as at 31 December 2023 in line with IPEC Guidelines. This report summarises our findings.

### **Addressee**

2.2. This report has been prepared exclusively for the Fund’s Trustees and Management team. The report may not be distributed to any third party without the permission and consent of African Actuarial Consultants.

### **Summary of the Fund**

2.3. The Fund is a defined contribution arrangement.

2.4. The benefit on exit is based on the member’s accumulated credit. This is composed of the aggregate contributions made by and in respect of each member increased at the bonus rate declared as earned on Fund assets and any other proportionate allocations from the Fund’s reserves as agreed by the Trustees from time to time.

2.5. The bonus rate is the rate generally reflecting the return earned on Fund assets less investment related expenses, as determined by Trustees in consultation with the actuary. The investment return earned by the assets has a direct impact on benefits payable.

### **Purpose of the Report**

2.6. This financial review has been carried out as at 31 December 2023, and has the following objectives:

- To calculate the liability posed by pension benefits attributable to Fund members in line with IPEC guidelines,
- To calculate pension benefits that are to be paid to pensioners from the Fund,
- To assess the financial position of the Fund by comparing the available assets to liabilities,
- To recommend bonus and pension increase rates for the period under review,



- To assess the sufficiency of current contribution rates towards meeting expenses and risk benefits, and,
- To comment on any other issues pertinent to the Fund.

### **Professional and Regulatory Guidance**

- 2.7. This report was prepared with reference to Guidance Notes issued by the Institute and Faculty of Actuaries (UK) and the Technical Actuarial Standards set by the Financial Reporting Council in all respects, except for those sections specific to the United Kingdom, which have been excluded.
- 2.8. We have carried out this review in line with our understanding of IPEC guidelines on adjusting insurance and pension values in response to currency reforms.

### **Reliance**

- 2.9. For the purposes of carrying out this exercise, we have been provided with membership data by the Fund Administrators, for the period from 1 January 2023 to 31 December 2023.
- 2.10. While data checks were performed as part of the financial review, it should be noted that the final accountability for the accuracy of the Fund's data resides with the Fund's Trustees.
- 2.11. We have been provided with details relating to the following:
- Members' Accumulated Credits as at 31 December 2022,
  - Members' and Employers' monthly contributions for the period from 1 January to 31 December 2023,
  - Members' benefits paid over the period from 1 January to 31 December 2023,
  - Pensions in payment as at 31 December 2023, which incorporate the pension increase awarded during the period under review, and
  - Deferred pensioners' reserves as at 31 December 2023.

2.12. We checked the data for reasonability. **Appendix I** details all data checks performed. We considered the data provided as reasonable and sufficient for the purposes of this review.

### **Limitations**

2.13. The accuracy of any values quoted in this report and the conclusions reached is limited to the accuracy of the underlying data and information (listed above) on which this report is based. Should this data be any different from the actual membership and asset position of the Fund, then this review may need to be re-done.

2.14. All our recommendations are based on the membership of the Fund and the value of assets as at 31 December 2023.

### 3. REVIEW OF INTER-VALUATION ACTIVITIES

3.1 The previous review was carried out by AAC as at 31 December 2022. The results of this exercise, based on final financial statements, revealed that the Fund was financially sound as evidenced by a funding level of 244.94% and a surplus of ZW\$ 5.94 billion.

3.2 The Fund's Trustees adopted the following resolutions as at 31 December 2022:

- a. A final bonus of 346.22%, in respect of Sub Account 1 members and a pension increase of 210.79% was declared to all pensioners, and
- b. A final bonus of 33.76% in respect of Sub Account 2 members, to distribute the available surplus at the date.

3.3 The table below summarizes the financial position of the Fund at 31 December 2022:

	After Bonus Sub Account 1 ZW\$	After Bonus Sub Account 2 ZW\$
<b>Assets</b>	8,965,871,110	1,039,860,480
<b>Liabilities</b>	7,764,429,011	876,191,546
<b>Reserve</b>	1,201,442,099	163,668,934
<b>Surplus</b>	-	-
<b>Funding Level</b>	100%	100%

#### Market Overview

3.4 The Foreign Exchange rate stood at US\$1: ZW\$ 671.45 as at 03 January 2023 and at US\$1: ZW\$ 6,104.72 as at 29 December 2023. This represents an 809% depreciation in the rate.

3.5 The ZSE All Share index stood at 19,735.17 as at 3 January 2023 and at 192,837.21 as at 31 December 2023, reflecting an 877% growth in the index.

3.6 CPI (blended measurement of USD and ZW\$) between the months of January to December 2023 implied an inflation rate of 26.5% over the calendar year.

## Regulatory Changes

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Circular 1 of 2023	10 January 2023	Assessment of annual reporting
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Circular 18 of 2023	Circular 7 of 2023	Micro- Pension Framework
Circular 26 of 2023	1 September 2023	Cyber Security and Data Protection Framework
Circular 39 of 2023	14 December 2023	Proposed Limit on Exposure to Guaranteed Fund

3.8. Trustees are advised to set processes in motion to ensure compliance within the deadlines set by the Regulator.

### Rule Amendments and Ex-gratia Payments

3.9. We were not advised of any rule amendments for the year under consideration.

## 4 MEMBERSHIP DATA

4.1 The Administrator of the Fund supplied the data for this valuation. The tables below summarise the Fund membership at the review date with comparative figures as at 31 December 2022:

As at:	31 December 2022	31 December 2023
<b>Active Members</b>		
Number	653	843
Opening Credits (ZW\$)	1,227,645,998	5,199,672,023
Contributions (ZW\$)	440,307,412	4,271,831,871
Contributions (US\$)	-	579,000
<b>Paid Exits</b>		
Number	47	47
Opening Credits (ZW\$)	131,519,722	460,123,454
Contributions (ZW\$)	15,008,477	-
<b>Deferred Pensioners</b>		
Number	1,173	1,173
Opening Credit (ZW\$)	401,121,489	1,694,500,788
Contributions (ZW\$)	-	-
<b>Pensioners</b>		
Number	343	374
Annual Payroll	40,159,420	159,650,959
Average Pension	117,425	426,874
Average Age	60.3	61.4

4.2 **Appendix I** details the data checks carried out as part of this review exercise.

4.3 The accuracy of any values quoted in this report and the conclusions reached are limited to the accuracy of the underlying data and information (listed above) on which this report is based. If this data is any different from that actually representing the membership and asset position of the Fund, this review may need to be redone.

4.4 We have based all our recommendations on the membership of the Fund and the value of assets as at 31 December 2023.

## 5 CONTRIBUTIONS

- 5.1 Members contribute at a rate of 7% of Pensionable Salary towards retirement benefits as specified in the Fund Rules. Members may elect to pay contributions in excess of those specified, as additional voluntary contributions.
- 5.2 The Employer contributes 7% of Pensionable Salary towards retirement benefits as specified in the Fund Rules.
- 5.3 The Employer also contributes, currently at a rate of 2.5% of salary towards the expenses of the Fund and a risk pool, which provides an enhanced benefit on ill health early retirement.
- 5.4 The Normal Retirement Age is 63 years. Members may however opt to retire from age 55. Members may retire at any age, on grounds of retrenchment, redundancy or ill health, subject to medical evidence and the Employer's consent.
- 5.5 The table below shows the expenses other than investment related expenses incurred by the Fund:

<b>Fund Expenses as at:</b>	<b>31 December 2022</b>		<b>31 December 2023</b>	
Actuarial Fees	8,121,831	0.22%	37,681,334	0.12%
ZAPF Subscriptions	231,000	0.01%	1,328,724	0.004%
IPEC Levies	4,305,280	0.12%	40,158,761	0.131%
Audit Provision	13,731,866	0.38%	52,127,972	0.170%
Tax Payable	511,720	0.01%	2,101,430	0.007%
Other Expenses	3,579,715	0.10%	42,817,418	0.14%
<b>Total Fund</b>	<b>30,481,41</b>	<b>0.84%</b>	<b>176,215,639</b>	<b>0.57%</b>

- 5.6 Fund expenses have decreased from 0.84% to 0.57% of the implied salary bills over the respective valuation periods.
- 5.7 Total Fund expenses were below the Employer contributions of 2.5% of salaries remitted to cover expenses for the year 2023.
- 5.8 The data supplied suggests that the Employer remitted contributions in line with Fund Rules.

## 6 RESERVE ACCOUNTS

6.1 In reviewing the reserves to be held by the Fund at the current review date, we have considered the following matters;

- The uncertainties in the economy and the risk profile of the Fund assets held, and
- The need to protect pensions in payment at their current values and guarantee their continued payment when asset performance falls.

6.2 The table below summarises the growth of the General Reserve account over the year:

	<b>Sub Account 1 ZW\$</b>	<b>Sub Account 2 ZW\$</b>	<b>Sub Account 3 US\$</b>
<b>Opening Value</b>	<b>1,201,442,099</b>	<b>163,668,934</b>	<b>-</b>
Employer Contributions towards Reserve		769,446,781	94,561
Payments to Insurer		-	(42)
Expenses	(20,701,190)	(155,514,449)	(1,695)
Other Income		-	-
Transfer to Pensioners	(3,589,293,776)	-	-
Investment Return	10,616,991,176	190,447,400	2,284
<b>Closing Balance</b>	<b>8,208,438,309</b>	<b>968,048,666</b>	<b>95,108</b>

6.3 The overall positive balance of ZW\$ 9.18 billion and US\$ 95,108 in the General Reserve Account shows that overall inflows into the reserve (expense contributions and insurers remittances), in addition to the reserve's opening balance, were sufficient to meet running costs at the review date.

6.4 The General reserve in Sub account 1 is also set to finance the compensation exercise.

## 7 FUND LIABILITIES

7.1 Fund liabilities are represented by members' accumulated accounts, pensioners' capital values, and the Fund's General reserve as at 31 December 2023.

### Quantifying Members' Liabilities

7.2 The Fund is a defined contribution arrangement where the benefit on exit is based on the member's accumulated account. This is composed of member and employer contributions towards retirement benefits and amounts transferred into the Fund in respect of the member, all accumulated at the bonuses (interim and final) credited to the member's account. The bonuses declared therefore have a direct impact on the benefits payable.

7.3 We have quantified Fund liabilities in line with Sections 15, 20, 24 and 27 of the IPEC guideline for the insurance and pensions industry on adjusting Insurance and Pension values in response to currency reforms, dated 31 May 2021.

7.4 In line with this guideline, we have created two sub accounts for the Fund; Sub Account 1 for liabilities and assets held as at 31 December 2018 (Determination Date) and Sub Account 2 for liabilities and assets after the Determination Date. We have reported on the financial position of each of the sub-accounts separately to outline the effect of currency revaluation gains on the Fund's financial position. The liability build ups are summarised in **Appendix VI** of the report.

### Quantifying Pensioners' liabilities

7.5 The liability in respect of current pensioners is the capital value of the pensions calculated as the present value of the expected future pension payments discounted at the valuation rate of interest. We have also included outstanding pension payments in stating the liability value.

7.6 We have used the following assumptions in determining the liability with respect to pensions in payment:

Assumption	Current Valuation
Net discount rate p.a.	12%
Mortality	a(55) Ultimate

**Assumptions used to value pensioner liabilities**



- 7.7 We have retained our long-term assumption estimation of the Fund's future financial and demographic experience.
- 7.8 Fund asset returns earned over the period under review were higher than the 12% long-term assumption.
- 7.9 The Fund's liabilities at the review date were distributed as follows:

**Calculation using IPEC Guidelines (Before Surplus)**

	<b>Before bonus Sub Account 1 ZWS</b>	<b>Before bonus Sub Account 2 ZWS</b>	<b>Before bonus Sub Account 3 US\$</b>	<b>Overall ZWS</b>
Active Members	3,929,129,320	4,917,081,602	578,566	8,846,210,922
Paid Exits	419,831,079	38,943,863	-	458,774,942
Deferred Pensions	1,655,605,745	30,930,572	-	1,686,536,317
Pensioners	1,644,397,464	-	-	1,644,397,464
General Reserve	8,208,438,309	968,048,666	95,108	9,176,486,975
<b>Total Liability</b>	<b>15,857,401,917</b>	<b>5,955,004,702</b>	<b>673,674</b>	<b>21,812,406,619</b>

**Ill Health Pension Guaranteed by the Fund**

- 7.10 In terms of the Rules of the Fund, a member who has completed 3 years of service and based on medical evidence is no longer capable of exercising their duties through infirmity shall be retired from service and are entitled to a pension that is subject to a minimum equal to 35% of the members final salary at retirement.
- 7.11 We understand that the benefit is self-insured by the Fund. The employer remits contributions towards the General Reserve to cover the cost of meeting the minimum benefits payable on ill health retirement.
- 7.12 It is expected that Members' Accumulated Credits will increase with contributions and in turn reduce the gap between 35% final salary pension and Accumulated Credit pension at the time of ill health retirement. It is also expected that more reserves will need to be held in the general reserve with respect to Members with short service in the Fund as compared to long serving Members.
- 7.13 We also recommend that the cost of providing these benefits be reviewed at least annually to ensure that adequate amounts are reserved to meet contingent member benefits.

## 8 FUND ASSETS

8.1 We have been provided with financial statements of the Fund for the twelve months period to 31 December 2023. A breakdown of the Fund's portfolio in market values as at 31 December 2023 (with comparative figures as at 31 December 2022) is shown in the table below:

	31-Dec-22 ZWS	Proportion	31-Dec-23 ZWS	Proportion	31-Dec-23 US\$	Proportion
Equity	1,693,987,571	17%	16,897,248,267	18%	-	-
Guaranteed Fund	813,844,123	8%	8,155,149,451	9%	-	-
Approved Holdings	133,645,915	1%	871,740,106	1%	-	-
Unit Trusts	-	0%	-	0%	-	-
Housing Scheme	403,939,281	4%	4,839,788,024	5%	-	-
Property Investments	5,948,781,874	59%	60,194,632,952	64%	-	-
Money Market	974,039,699	10%	1,108,075,626	1%	614,189	90%
Net Current Assets	37,493,128	0%	1,715,347,845	2%	69,183	10%
<b>Total</b>	<b>10,005,731,591</b>	<b>100%</b>	<b>93,781,982,271</b>	<b>100%</b>	<b>683,372</b>	<b>100%</b>

8.2 We relied on the draft financial statements, which showed all the three sub accounts as required in the Guideline. The audited financial statements showed Sub account 2 and 3 combined, and we were therefore not able to separate the two for the purposes of completing our report.

8.3 The value of the Fund assets grew from ZW\$ 10.01 billion as at 31 December 2022 to ZW\$93.78 billion and US\$ 683,373 as at 31 December 2023.

8.4 The value of assets held in Sub Accounts 1, 2 and 3 were ZW\$ 86.86 billion, ZW\$ 6.92 billion and US\$ 683,373 respectively, as at the review date.

8.5 We have calculated the rate of return earned in Sub Account 1, 2 and 3, to have been 902.05 %, 42.96% and 4.98% respectively.

8.6 The build-up of the aggregate Fund assets is outlined in **Appendix II** of this report.

8.7 The Investment Guideline of 2022 requires that property investment be limited to 40% of the Fund's total asset mix. The Fund had 64% of the assets invested in property as at the date of review.

- 8.8 IPEC Circular 3 of 2019 requires that at least 20% of Fund assets be invested in prescribed assets.
- 8.9 We recommend that the Fund's Trustees ensure that the Fund is compliant with these regulatory requirements.

**Asset Allocation**

- 8.10 In light of the inflationary pressures that persist in the economy, we recommend that the Fund's investment strategy remain skewed towards real assets. We further recommend that the Fund manages its liquidity position to effectively manage the payment of pension and exiting members' benefits as they fall due.
- 8.11 Section 7 of the Guideline requires the adjustment of pension values due to the 2019 currency reforms for all pension benefits effective 1 February 2009 through to 22 February 2019. It stipulates that the distribution of available assets for the preceding years since dollarization be carried out in a fair and equitable manner.
- 8.12 Revaluation gains as at 31 December 2018 and in the prior years' post dollarization, were subject to full regular reporting.
- 8.13 We are satisfied that there was a fair and equitable distribution of assets over that period.

## 9 FINANCIAL POSITION AS AT 31 DECEMBER 2023

9.1 This section summarises the financial position of the Fund as calculated using IPEC guidelines on the treatment of revaluation gains. The financial position of the two Sub-accounts before the recommended bonus is summarised in the table below:

	Before bonus Sub Account 1 ZW\$	Before bonus Sub Account 2 ZW\$	Before bonus Sub Account 3 US\$	Overall ZW\$
Active Members	3,929,129,320	4,917,081,602	578,566	8,846,210,922
Paid Exits	419,831,079	38,943,863	-	458,774,942
Deferred Pensions	1,655,605,745	30,930,572	-	1,686,536,317
Pensioners	1,644,397,464	-	-	1,644,397,464
General Reserve	8,208,438,309	968,048,666	95,108	9,176,486,975
<b>Total Liability</b>	<b>15,857,401,917</b>	<b>5,955,004,702</b>	<b>673,674</b>	<b>21,812,406,619</b>
<b>Fair Value of Assets</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>	<b>93,781,982,331</b>
<b>Surplus</b>	<b>71,001,724,655</b>	<b>967,851,057</b>	<b>9,699</b>	<b>71,969,575,712</b>
<b>Funding Level</b>	<b>547.75%</b>	<b>116.25%</b>	<b>101.44%</b>	<b>429.95%</b>

### Sub Account 1

9.2 The value of Sub Account 1 assets amounted to ZW\$ 86.86 billion at the review date whereas that of Fund liabilities amount to ZW\$15.86 billion. Sub Account 1 was therefore in a financially sound position, with a surplus of ZW\$ 71.00 billion. This translated to a funding level of 547.75%.

9.3 Distributing the emerging surplus implies awarding an annualised bonus of **870.59%** and a pension increase of **870.59%** as at the review date.

9.4 The change in Fund surplus for this sub-account is summarised in the table below:

Analysis of Surplus	ZW\$
<b>Surplus as at 31 December 2022</b>	-
Net Return on Investments	78,704,728,870
Interim interest	(82,028,565)
Investment Income allocated to Reserves	(10,616,991,176)
Pensioners Interest Cost	(531,241,045)
Difference between data and financials	(193,048,301)
Transfer to pensioners	(3,589,293,776)
Post Audit adjustments	131,011,096
Residual	-
<b>Surplus as at 31 December 2023</b>	<b>71,001,724,655</b>

9.5 As shown in the table above, the sub-account's emerging surplus was mainly driven by investment returns earned over the period.

**Sub Account 2**

9.6 The value of Sub Account 2 assets amounts to ZW\$ 6.92 billion whereas the value of liabilities amounts to ZW\$ 5.96 billion at the review date. Sub Account 2 was therefore financially sound, with a surplus of ZW\$ 985.42 million. This translated to a funding level of 116.60%.

9.7 Distributing the emerging surplus implies awarding an annualised bonus of **45.85%** as at the review date.

9.8 The change in Fund surplus is as summarised in the table below:

	ZW\$
<b>Surplus as at 31 December 2022</b>	-
Net Return on Investments	1,188,345,288
Interim Interest	(22,124,024)
Investment Income allocated to Reserves	(190,447,400)
Asset Adjustment	(131,011,096)
Variiances between Data and Financials	123,088,289
Data Adjustments	-
Residual	-
<b>Surplus as at 31 December 2023</b>	<b>967,851,057</b>

9.9 As shown in the table above, the surplus arising for this sub-account was mainly due to investment returns earned over the period.

**Sub Account 3**

9.10 During the course of 2023, active members started remitting contributions denominated in United States Dollars (US\$). The Guideline requires that a Sub Account 3 should be created for all such remittances and their corresponding assets.

9.11 The value of Sub Account 3 assets amounts to US\$ 683,373, whereas the value of liabilities amounts to US\$673,674 at the review date. Sub Account 3 was therefore financially sound, with a surplus of US\$ 9,699. This translated to a funding level of 101.44%.

9.12 Distributing the emerging surplus implies awarding an annualised bonus of **6.85%** as at the review date.

9.13 The change in Fund surplus is as summarised in the table below:

	US\$
<b>Surplus as at 31 December 2022</b>	-
Net Return on Investments	9,893
Investment Income allocated to Reserves	(2,284)
Variiances between Data and Financials	2,089
Residual	-
<b>Surplus as at 31 December 2023</b>	<b>9,699</b>

9.14 As shown in the table above, the surplus arising for this sub-account was mainly due to investment returns earned over the period.

### Overall Position

9.15 Overall, the Fund is in a sound financial position as at 31 December 2023.

9.16 The financial position of the three Sub-accounts should our recommendations be adopted is summarised in the table below:

	After bonus Sub Account 1 ZW\$	After bonus Sub Account 2 ZW\$	After bonus Sub Account 3 US\$	Overall ZW\$
Active Members	42,472,184,858	5,852,593,671	588,265	48,324,778,529
Paid Exits	4,083,399,516	57,019,876		4,140,419,392
Deferred Pensions	16,134,753,980	45,193,546		16,179,947,526
Pensioners	15,960,349,909	-		15,960,349,909
General Reserve	8,208,438,309	968,048,666	95,108	9,176,486,975
<b>Total Liability</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>	<b>93,781,982,331</b>
<b>Fair Value of Assets</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>	<b>93,781,982,331</b>
<b>Surplus</b>	-	-		
<b>Funding Level</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

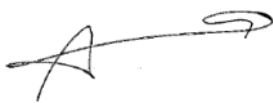
### Interim Bonus for FY2023

9.17 Due to persistent inflationary pressures in the economy, we recommend quarterly bonus declarations. We are available to carry out the quarterly bonus calculations for the Fund.

## **10 RECOMMENDATIONS AND CONCLUSION**

- 10.1 We have carried out a financial review of the ZB Financial Holdings Group Pension Fund as at 31 December 2023. Based on the results of this review, the Fund was in a financially sound position overall as at 31 December 2023.
- 10.2 We recommend that the Fund awards an annualised bonus of **870.59%** and a pension increase of **870.59%** for Sub Account 1, an annualised bonus of **45.85%** for Sub Account 2 and an annualised bonus of **6.85%** for Sub Account 3 as at the review date.
- 10.3 We recommend that the Fund align its asset allocation with the requirements of the Investment Guideline and Circular 3 of 2019.
- 10.4 Due to persistent inflationary pressures in the economy, we recommend quarterly bonus declarations. We are available to carry out the quarterly bonus calculations for the Fund.
- 10.5 We further recommend a thorough check of all member records to ensure that all Fund members benefit from the allocation of revaluation gains.
- 10.6 A summary of all our recommendations is outlined in **Appendix III** of the report.

We would be happy to discuss all issues raised in this report.



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**Tinashe Mashoko, FASSA FIA**  
*Revaluation Actuary*  
**African Actuarial Consultants**



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**Shingai Kuwaza**  
*Senior Actuarial Consultant*  
**African Actuarial Consultants**

## APPENDIX I: DATA CHECKS

A1.1 The data checks that were performed at the valuation date are summarised below.

### **Checks carried out on Main Fund and Staff Fund data**

A1.2 We checked for the uniqueness of System Ref Numbers.

A1.3 We checked whether Member closing values as at 31 December 2022 were consistent with stated opening values as at 1 January 2023.

A1.4 Members ID numbers were used as unique identifiers in carrying out data checks for this group.

### **Other Checks carried out on Membership Data**

A1.5 For each Member in the data received we checked for missing dates of birth, consistency of dates of birth, dates of joining, reference numbers and salary against the 31 December 2022 data. We also performed the following reasonability checks:

- Dates are valid;
- Dates are in a logical order;
- Ages fall within reasonable ranges, and
- Salaries within reasonable ranges

A1.6 It should be noted that the accuracy of our checks is limited to the accuracy of the data we were supplied with and the ultimate responsibility of the accuracy of the financial statements and data lies with the Trustees and the Administrator of the Fund.



## APPENDIX II: ASSETS

A2.1 The change in the value of the Fund's Assets over the period under review is shown by the following consolidated revenue account.

	Total ZW\$	Sub Account 1 ZW\$	Sub Account 2 ZW\$	Sub Account 3 US\$
<b>Fund @ beginning of period</b>	<b>10,005,731,591</b>	<b>8,965,871,110</b>	<b>1,039,860,481</b>	<b>-</b>
Asset adjustment		131,011,096	(131,011,096)	
NEW MONEY INCOME	5,064,650,089	-	5,064,650,089	675,651
NET INVESTMENT INCOME	79,893,074,158	78,704,728,870	1,188,345,288	9,893
<b>Total Income</b>	<b>84,957,724,247</b>	<b>78,704,728,870</b>	<b>6,252,995,377</b>	<b>685,544</b>
NEW MONEY EXPENDITURE	1,181,473,507	942,484,504	238,989,003	2,172
<b>Fund at end of period</b>	<b>93,781,982,331</b>	<b>86,859,126,572</b>	<b>6,922,855,759</b>	<b>683,373</b>

### ASSETS SPLIT BY SUB ACCOUNT

31-Dec-23 ZW\$ Fund	Sub Account 1 ZW\$	Sub Account 2 ZW\$	Sub Account 3 US\$	Total ZW\$
Equity	16,172,634,436	724,613,831	-	16,897,248,267
Guaranteed Fund	8,155,149,451	-	-	8,155,149,451
Approved Holdings	57,322	871,682,784	-	871,740,106
Housing Scheme	193,591,521	4,646,196,503	-	4,839,788,024
Property	60,194,632,952	-	-	60,194,632,952
Investments				
Money Market	886,460,501	221,615,125	614,189	1,108,075,626
Net Current Assets	1,256,600,329	458,747,516	69,183	1,715,347,845
<b>Total</b>	<b>86,859,126,512</b>	<b>6,922,855,759</b>	<b>683,372</b>	<b>93,781,982,271</b>

### APPENDIX III: SUMMARY OF RECOMMENDATIONS

A3.1 The table below summarises the recommendations which were highlighted in the valuation report:

Recommendations	Why	By who	Time-line
<p><b>Sub-Account 1</b></p> <ul style="list-style-type: none"> <li>Final annualised bonus of <b>870.59%</b> to all members</li> <li>Pension increase of <b>870.59%</b></li> </ul> <p><b>Sub-Account 2</b></p> <ul style="list-style-type: none"> <li>Final annualised bonus of <b>45.85%</b> to all members</li> </ul> <p><b>Sub-Account 3</b></p> <ul style="list-style-type: none"> <li>Final annualised bonus of <b>6.85%</b> to all members</li> </ul>	<p>Distribute available Fund surplus</p> <p>Compliance with IPEC guidelines</p>	Trustees	Effective date: 31 Dec 2023
Quarterly bonuses to be awarded.	To avoid prejudicing members who leave the Fund within the year	Trustees	Implementation Date:  1 Jan 2024 to 31 Dec 2024
Retain balance in the Reserve Account.	<p>Cushion against adverse experience</p> <p>Compensation Reserve</p>	Trustees	Effective Date:  31 Dec 2023

## APPENDIX IV: SUMMARY OF FUND RISKS

Types Of Risk	Description	Mitigation
<b>Regulatory Risk</b>	<ul style="list-style-type: none"> <li>✓ The prospect of undesirable consequences and penalties stemming from the Scheme's inability to fulfil all relevant regulatory requirements. This includes the likelihood of sustaining losses arising out of litigation.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Scheme's Investment policy will need to be reviewed, as its current asset mix is in violation of IPEC regulations.</li> </ul>
<b>Investment Risk</b>	<ul style="list-style-type: none"> <li>✓ Risk of the fall in the price of equities, bonds, and property due to movements in economic market factors.</li> </ul>	<ul style="list-style-type: none"> <li>✓ This risk can be mitigated by diversifying the investment portfolio across product types and economic sectors.</li> </ul>
<b>Valuation Risk</b>	<ul style="list-style-type: none"> <li>✓ Risk that an asset is overvalued and is worth less than its carrying value when it is sold or matures</li> </ul>	<ul style="list-style-type: none"> <li>✓ Risk is reduced by providing transparency and ensuring the integrity and consistency of the data, models and processes used to process the calculations.</li> </ul>
<b>Credit Risk</b>	<ul style="list-style-type: none"> <li>✓ Risk of loss emanating from the failure of third parties such as, sponsoring employers and other debtors to pay their dues to the scheme.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The risk is minimized by taking appropriate action to collect all monies due to the Scheme, i.e. Legal action, the use of Debt collectors etc.</li> </ul>

## **APPENDIX V: IPEC CERTIFICATIONS**

### **DATA CERTIFICATION BY THE REVALUATION ACTUARY**


I, the undersigned, hereby certify that the data used for the purposes of determining and distributing Revaluation Gains which arose due to the 2019 currency reforms for the ZB Financial Holdings Group Pension Fund is sufficient, based upon information and belief formed after reasonable inquiry. I also confirm that I have done the following before distribution of the Revaluation Gains;

- a. Checked and certified the adequacy/sufficiency of data as at 31 December 2023
- b. Reconciled the membership as at 31 December 2023 with that at 31 December 2022.

**Name of the Revaluation Actuary:** Tinashe Mashoko

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

**Signature:**



**Date:** 23 May 2024

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

I, the undersigned, hereby certify that all the calculations for the purposes of determining and distributing Revaluation Gains for the ZB Financial Holdings Group Pension Fund as at 31 December 2023 were done in accordance with the “Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms”. I also confirm that I have done the following before distribution of the Revaluation Gains;

- a. Checked the values of assets and accuracy of liabilities as at 31 December 2022 and as at 31 December 2023.
- b. Reconciled the assets and liabilities by categories of pension membership between 31 December 2022 and 31 December 2023.
- c. Ensured equity in the distribution of revaluation gains between pension liabilities and between old and newer members.

**Name of the Revaluation Actuary:** Tinashe Mashoko

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

**Signature:** 

**Date:** 23 May 2024

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

I, the undersigned, hereby certify that the ZB Financial Holdings Group Pension Fund is solvent on an ongoing basis as at 31 December 2023 as shown in the table below. This is after adjusting fund member values based on calculations in terms of the “Guideline for the Insurance and Pensions Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms”.

<b>Measurement Date:</b>	<b>31 December 2023</b>
<b>Total Assets</b>	<b>ZW\$ 93,781,982,331</b>
<b>Actuarial Liabilities</b>	<b>ZW\$ 93,781,982,331</b>
<b>Other Liabilities</b>	-
<b>Surplus</b>	-
<b>Funding Level</b>	<b>100%</b>


<b>Measurement Date:</b>	<b>31 December 2023</b>
<b>Total Assets</b>	<b>US\$ 683,372</b>
<b>Actuarial Liabilities</b>	<b>US\$ 683,372</b>
<b>Other Liabilities</b>	-
<b>Surplus</b>	-
<b>Funding Level</b>	<b>100%</b>

Name of the Revaluation Actuary:

Tinashe Mashoko

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

Signature:



Date: 23 May 2024