

REPORT OF THE COMMITTEE ON ECONOMIC AFFAIRS, ENERGY AND LABOUR ON THE LOCAL AUTHORITIES SUPERANNUATION FUND (AMENDMENT) BILL, N.A.B. NO.9 OF 2015 FOR THE FOURTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED ON TUESDAY, 23RD SEPTEMBER, 2014

Consisting of:

Mr K K Hamudulu, MP (Chairperson); Mr G G Nkombo, MP; Dr S Musokotwane, MP; Mr V Lombanya, MP; Mr F Mutati, MP; Mr W Simuusa, MP; Mr N Chilangwa, MP; and Mrs M Miti, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir,

Your Committee has the honour to present its Report on the Local Authorities Superannuation Fund (Amendment) Bill, N.A.B. No. 9 of 2015, referred to it by the House.

Functions of the Committee

2. In addition to any other duties conferred upon it by the Honourable Mr Speaker, or any other order of the House, your Committee is mandated to consider any Bills that may be referred to it by the House.

Meetings of the Committee

3. Your Committee held ten (10) meetings to consider the Local Authorities Superannuation Fund (Amendment) Bill, N.A.B. No. 9 of 2015.

Procedure adopted by the Committee

4. In order to acquaint itself with the Bill, your Committee requested written and oral submissions from various stakeholders.

Object of the Local Authorities Superannuation Fund (Amendment) Bill, N.A.B No. 9 of 2015

5. The object of the Bill is to amend the *Local Authorities Superannuation Fund Act* so as to revise the retirement age.

Background

6. *The Local Authorities Superannuation Fund Act*, Chapter. 284 of the Laws of Zambia provides for a pensionable age of fifty-five years. This age presents a challenge for the financial sustainability of the Fund from an actuarial perspective in light of the long post-retirement life expectancy. In addition, this age is among the lowest in the Southern African Development Community (SADC) region. The Local Authorities Superannuation Fund (Amendment) Bill, N.A.B. No. 9 of 2015 seeks to amend the Local Authorities Superannuation Fund Act so as to revise the retirement age upwards and provide for early and late retirement. This will ensure sustainability of the Local Authorities Superannuation Fund (LASF) in accord with the general trends in the SADC region. The amendment will also harmonise the retirement age with the *Public Service Pension Act*, Chapter 260 of the Laws of Zambia and the *National Pension Scheme Act*, Chapter 256 of the Laws of Zambia.

Salient Provisions of the Bill

7. The salient provisions of the Local Authorities Superannuation Fund (Amendment) Bill, N.A.B No.9 of 2015 are set out hereunder.

Clause 2: Amendment of Section 2

This clause seeks to delete the definition of pension age and replace it with that relating to pensionable age. Whereas pension age currently means the age of fifty-five years, it is proposed to revise this to sixty years and refer to it as pensionable age.

Clause 3: Amendment of Section 19

This clause requires a member to contribute to the Fund at the rate of ten percent of the member's pensionable emoluments. However, it empowers the Minister, in consultation with the Fund to prescribe a lower or higher rate of contributions based on an actuarial valuation undertaken to determine the Fund's financial sustainability.

Clause 4: Repeal and Replacement of Section 25

This clause seeks to prescribe the rate at which a retirement benefit shall be paid to a member. It also empowers the Minister, in consultation with the Fund to prescribe a different rate at which a retirement benefit is payable based on an actuarial valuation undertaken to determine the Fund's financial sustainability.

Clause 5: Repeal and Replacement of Section 26

This clause requires a member to retire on attaining pensionable age, which is the age of sixty years (normal requirement). Notwithstanding the requirement for normal retirement, the clause also provides for early or late retirement on giving requisite notice and subject to the approval of a contributing employer. In the case of early retirement,

the notice must be given by the member twelve months prior to attaining the age of fifty-five years. The notice for late retirement must be given by the member twelve months prior to attaining the age of sixty years.

Clause 6: General Amendment

The clause seeks to substitute the words “pension age” with the words “pensionable age” wherever they appear in the principal Act.

CONCERNS RAISED BY THE STAKEHOLDERS

8. The stakeholders who appeared before your Committee raised some concerns as outlined below.

Clause 2: Amendment of Section 2

Stakeholders were of the view that the revision in retirement age is a temporal mitigating measure to defer the current obligation to pay retirement benefits. The revision will mean that retirees will have to wait a little longer to receive benefits and may mean deferring payments to a later period when these amounts shall become insurmountable. They further observed that adjusting the retirement age of members of LASF is only a temporal solution and argued that the postponement of pension payment by 5 years will not resolve the actuarial deficit.

Clause 3: Amendment of Section 19

A number of stakeholders raised concerns that that the Minister has been granted arbitrary powers to make changes to the rate of contributions without adequate consultations with stakeholders. They were of the view that this is subject to abuse.

Some stakeholders raised concern that although clause 3 was consequential to the object of the bill, which is to revise the pensionable age, it was not one of the objects of the bill. They were of the view that there is need to add another object to the bill to cater for it.

Other Concerns

Some stakeholders noted that LASF had become insolvent because it had stopped admitting new members since 1st February 2000. They argued that this move had adversely impacted on the financial viability of the fund and has resulted in, among others, increases in the unpaid benefits and increased incidences of litigation. There was a notable concern that it was important to sustain the scheme so that many players are allowed in the market because pensions are important long term investment vehicles.

Another concern raised by stakeholders was the urgent need to quicken the implementation of the pension reforms that Government embarked on in 2012. They argued that there was urgent need to introduce a three-tier national pension system with

the first and second tier being mandatory. This will make contributions to LASF mandatory and therefore improve its financial stability

Stakeholders also submitted that in order to liquidate the huge actuarial deficit of the institution, there was need to recapitalize the fund to save it from its unsound financial position. They further submitted that cosmetic measures will not guarantee sustainability of the institution.

Stakeholders were also of the view that the vesting period should be adjusted from 15 years to 20 years in line with the adjusted retirement age.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

9. Your Committee supports the adjustment of the retirement age and is of the view that this will harmonise the retirement age among the pension schemes.

Your Committee observes that the Local Authorities Superannuation Fund is highly indebted. Your Committee also observes that the Scheme has been not admitting new members since 1st February 2000. Your Committee urges that non-admittance of new members to the Fund has made LASF financially unsound and unsustainable.

Your Committee, however, observes that the piece-meal approach to addressing the pension scheme's challenges through this Bill will not make LASF sustainable as these will only provide temporal solutions. Your Committee recommends that the pension scheme challenges be addressed in a holistic manner so as to foster sound and progressive long-term solutions to the sector. While it is appreciated that reforms are being undertaken to address this matter, your Committee recommends that legislation that will clearly spell out ways of making the scheme sustainable, should be brought before Parliament.

CONCLUSION

10. Your Committee wishes to pay tribute to all stakeholders who appeared before it and tendered both oral and written submissions. Your Committee also wishes to thank you, Mr Speaker, for affording it an opportunity to study the Bill. Your Committee also appreciates the services rendered by the Office of the Clerk of the National Assembly.

We have the Honour, Sir, to be your Committee on Economic Affairs, Energy and Labour mandated to consider the Local Authorities Superannuation Fund (Amendment) Bill, N.A.B. No 9 of 2015.

Mr K K Hamudulu, MP
Chairperson

Mr G G Nkombo, MP
Member

Dr B S Musokotwane, MP
Member

Mr V Lombanya, MP
Member

Mr F Mutati, MP
Member

Mr W Simuusa, MP
Member

Mr N Chilangwa, MP
Member

Ms M Miti, MP.
Member

July, 2015
LUSAKA

K K Hamudulu, MP
CHAIRPERSON

APPENDIX I

LIST OF OFFICIALS

National Assembly

Mr S C Kawimbe, Principal Committee Clerk of Committees

Mr M K Sampa, Deputy Principal Clerk of Committees

Mr C Musonda Acting Committee Clerk (FC)

Mr F Chikambwe, Assistant Committee Clerk

Mrs M E Z Banda, Assistant Committee Clerk

Mr S Samuwika, Assistant Committee Clerk

Mrs D Mukwanka, Assistant Committee Clerk

Mr A Chilambwe, Assistant Committee Clerk

Mr F Hamakalu, Typist

Mr R Mumba, Committee Assistant

Mr M Chikome, Parliamentary Messenger

APPENDIX II

LIST OF WITNESSES

Ministry of Justice (Permanent Witness)

Mr F.Chilunga, Assistant Commissioner Law Revision
Mr M Chola, Senior Parliamentary Counsel
Ms K M Ndulo, Parliamentary Counsel

Lusaka City Council

Mr A Mwansa, Town Clerk
Mr Z Mbao, Director of Finance
Mr G M N Kanyanta, Acting Assistant Director of Human Resources.

Public Service Pensions Fund Board

Dr R Mwiinga, Chief Executive Officer
Ms E M Kapuka
Mr A Chileshe

Zambia Congress of Trade Unions

Mr N Chishimba, President
Mr C Mukuka, Secretary General
Mr O Mwanza, Regional Coordinator Lusaka
Mr K Fanwell, Director Finance

Federation of Free trade Unions

Mr L Mando, National Executive

Chongwe Council

Mr Fred Moya, Council Secretary

Zambia Association of Pension Fund

Mr S C Nakalowa, Consultant
Mr B Kamphata, Councilor
Ms F Twila, Councilor
Mr M Kasongola, Councilor
Mr C C Kampamba, Chairman
Mr A Chashale, Councilor

Mr B Hamazuka, Councilor
National Pensions Scheme Authority

Mr C Mpundu, Director General
Ms K D Chiwele, Director-Finance
Ms C K Tembo, Director-Project
Mr G C Nsofu, Director-IT
Mr Y Kachanda, Director-Contributions and Benefits
Mr D Chewe, Director-Investment
Ms B C Meleki, Director-HRM and Administration

Local Authorities Superannuation Fund

Mr R M Pepala, Managing Director
Mr A C Kabwe, Director-Corporate Services
Mr G Chileshe, Director-Finance Pensions

Pensions and Insurance Authority

Mr B M Musenga, Deputy Registrar-Pensions
Mr G Kapaso, Manager
Mr E Mvula, Analyst-Pensions
Mr S Bowa, Analyst-Pensions

Ministry of Finance

Mrs. P C Kabanda, Permanent Secretary
Mr M Masiye, Director-Budget
Mr J Phiri, Analyst Expenditure

Ministry of Labour and Social Security

Mr T Kaunda, Permanent Secretary
Mr A Dumingo, Director
Mr K Chivunda, Director
Ms P Mulewa, Director
Mr E Sichembe, Chief Productivity Officer
Ms C M Kamanga, Labour Commissioner
Mr F Mwansa, Senior Planner
Mr D Banda, Principal Planner
Mr J Banda, Senior Social Security Officer

Cabinet Office

Mr P.L Kasanda, Acting Secretary to the Cabinet
Mr J Mwila, Director Special Duties

