

## **MINISTERIAL STATEMENT**

### **PROGRESS MADE ON PENSION REFORMS**

Mr Speaker, it is my great honour and privilege to present to this august House and to the general members of the public the latest update on pension reforms.

Mr Speaker, the Government of the Republic of Zambia, through the Ministry of Labour and Social Security, has been leading the process of broad-based social security reforms with a view to establishing a comprehensive, responsive and sustainable pension scheme in Zambia. Such would guarantee decent livelihoods for the working age population, the retirees and senior citizens.

Mr Speaker, these reforms seek to, among other objectives, improve the parametric fundamentals of the pension system while being responsive to the needs of the scheme members and other emerging national development policy imperatives.

In the final analysis, Mr Speaker, these reforms must provide reasonable pension benefits at the point when workers have retired and a salary has ceased. A reasonable pension benefit should provide a decent livelihood in retirement. The pension system should also respond to the needs of members during employment by providing economic empowerment to the working age populations, as per the aspirations of this New Dawn Government.

Mr Speaker, as all may be aware, issues pertaining to pension reforms, especially the question of allowing partial withdrawal of pension contributions under the National Pension Scheme Authority (NAPSA), has dominated the public discourse in the recent past. His Excellency the President of the Republic of Zambia, Mr Hakainde Hichilema, re-emphasised the urgent need to finalise the reform process and deliver the people's expectations and aspirations but in a responsible manner, taking every requisite step to deliver a quality and meaningful package.

Mr Speaker, in seeking to address the question of permitting the partial withdrawal of contributions by the 900,000 plus members of NAPSA, the Government is fully aware of the prerequisites to undertake consultations with stakeholders and to conduct an economic actuarial assessment, which is a standard requirement whenever there are proposed changes

to pension scheme parameters. The actuarial assessment is paramount and cannot be overlooked because it provides the financial implications of any given reform option in the immediate, short and long-term and, therefore, provides an empirical basis for decision-making. Actuarial assessments also provide information on the solvency of pension funds.

Mr Speaker, with regards to consultations, I wish to inform the House that the Government has, to date, engaged with a number of stakeholders, including but not limited to the Zambia Congress of Trade Unions, the Federation of Free Trade Unions of Zambia, the Zambia Federation of Employers, the International Labour Organisation (ILO), the World Bank, the Bank of Zambia (BoZ), the Pensions and Insurance Authority, the Actuarial Society of Zambia, the National Economic Advisory Council and the Zambia Institute of Policy Research. The matter was also tabled before the tripartite consultative labour council that brings together our tripartite partnership among the Government, the workers and employers. These engagements were based on the Issues and Options Paper on Withdrawal Benefits that was developed and circulated to stakeholders by the ministry on 15<sup>th</sup> March, 2022. From the engagements with stakeholders, the issue of undertaking a more detailed study on the impact of the various reform options came out prominently.

Mr Speaker, you may wish to appreciate the fact that qualified actuarial consultants with competencies to undertake an actuarial valuation on the proposed reforms option are rare in-country and are usually expensive. Taking into account its rich international experience and pool of expertise, which has developed over time, the ILO has agreed to work with us and offer technical support. It pointed out that the exercise is necessary, but that it requires ample time to be actualised and finalised. The ministry is, currently, awaiting technical notes from the ILO that outline the scope of works, timeframes and deliverables.

Mr Speaker, it is expected that the actuarial valuation results will assist the Government in pursuing its reform option that will ensure adequacy of benefits, sustainability of the system and affordability to the contributors. The assessment will also provide information for making decisions around the appropriate retirement age, which has been a public debate and a concern for many of our people.

Mr Speaker, you will note that the Zambian pension system is anchored on a legal framework that includes the Constitution of the Republic of Zambia, the National Pensions Scheme Act,

the Workers Compensation Act, the Pension Scheme Regulation Act, the Local Authorities Superannuation Fund Act, and the Public Service Pension Fund Act.

Mr Speaker, I wish to bring to your attention the fact that the reform process on various social security institutions is being co-ordinated across the Government ministries under whose portfolio mandate they fall, such as the Ministry of Local Government and Rural Development and the Ministry of Finance and National Planning.

Mr Speaker, in conclusion, I wish to report progress made, to date, in summary as follows:

- (a) the Issues and Options Paper was finalised in February 2022, and circulated to stakeholders in March 2022;
- (b) the consultative process began with the Tripartite Consultative Labour Council meeting in April 2022, followed by the stakeholder consultative meeting in May 2022; and
- (c) in June 2022, the ILO was engaged and requested to provide technical support through undertaking of the actuarial assessment.

Mr Speaker, the actuarial valuation, which we are hopeful will be finalised by the ILO and other stakeholders that will come on the table by the end of the year, shall provide a clear policy direction. What will follow thereafter is the development of appropriate legislation to proceed through established channels before presentation to this august House.

Mr Speaker, this House and the nation shall be updated on the progress to the end on a regular basis.

I thank you, Mr Speaker.