

**NRZ Contributory Pension Fund**  
**Financial Statements**  
**For the Year Ended 31<sup>st</sup> December, 2021**

**Chairman's Statement**

**REVIEW OF OPERATING ENVIRONMENT**

It is a great honour to present to you the 2021 Annual Report for the National Railways of Zimbabwe Contributory Pension Fund. I am pleased to report that the Fund performed fairly well in a challenging and complex operating environment. Despite new lockdowns in 2021, albeit less severe than in 2020, the Zimbabwean economy grew rapidly coming off a low base. The Zimbabwe Stock Exchange (“ZSE”) Industrial Index rose by 307% more than doubling investors’ money in real terms. By comparison, Fund portfolios rose by an average of 332% over the year, disregarding the shares that were realised for benefit payments. These are extraordinary returns in a tough and volatile environment. Official inflation closed the year at 60.7%, implying substantially negative interest rates on money market assets. The local currency depreciated from US1:16.8 to US1:108.67 and Gross Domestic Production (GDP) growth for the year was estimated at 5.8% against the difficult macro-economic imbalances. The property market remained subdued and illiquid in ZWL and USD terms as sellers continued to withhold their properties.

Notwithstanding the unfavourable economic environment, the Fund prudently discharged of its obligations, with benefits paid within regulatory timelines. During the year, benefit payments were significantly increased compared to industry average, at 85% of Fund total expenses, through distribution of revaluation gains. To effectively function remotely during lockdowns and digitise Fund operations, capital was also expended in information and technology systems infrastructure. Generally, expenses were indexed to inflation. Diversification of the Fund’s assets continued to bear fruits as revenue contributions improved by asset class. Whilst rental incomes remained firm and contributed 82% of investment income predominantly in ZWL, in real terms the returns weakened due to the exchange rate dynamics in the economy. Assets growth was anchored by the capital appreciation in investment property and the performance of the external portfolio that has remained defensive. The Employer continued to face liquidity challenges, which saw the NRZ’s indebtedness to the Fund grow by 200% to close the year at \$548m. Recovery prospects however, remain positive given the initiatives from the Employer.

Although compliance in Prescribed Assets remained low at 0.2%, the Fund remains committed to comply. The Fund’s investment in Real Estate Investment Trust (REIT)s is expected to significantly boost the Fund’s compliance level and efforts are underway to list the REIT on the Zimbabwe Stock Exchange. The Fund’s statutory accounts were again qualified as hyperinflationary accounting continues in line with regulatory requirements. The Regulator had in the prior year directed pension funds to prepare their annual financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS). The basis for the qualification was mainly non-compliance with International Accounting Standard 21 (IAS21). Overall, the Fund remained stable albeit the shrink in assets valuation in real terms.

## **REVIEW OF OPERATIONS**

### **Pension Benefits**

Total benefit payments in 2021 were \$1.198bn, up from \$295m paid in 2020 largely due to the distribution of revaluation gains. Monthly pension salaries were reviewed upwards quarterly: Q1 (50%), Q2 (10%), Q3 (the guaranteed 5% plus an additional 10%) and Q4 (10%). Exit benefits were paid in full within the statutory 60-day limit while externally based pensioners continued to be paid on a semi-annual basis.

### **Pension Contributions**

In the year under review, member contributions increased by 150% in absolute terms, from \$34.4m in 2020 to \$85.9m in 2021, owing to adjustments of serving members' pensionable emoluments. Employer contributions were also increased from \$65.4m to \$167.1m. Member contributions were billed at 8% of employee pensionable emoluments and employer contributions at 14.4%. To the detriment of Fund cash flows, these contributions were generally not remitted to the Fund, as the Employer struggled to remit contributions. Prospects to recover the debt however, remains positive given the initiatives from the Employer.

### **Investments Performance**

In the year under review, investments performance across all asset classes was generally weak in real terms. The external portfolio provided the much needed liquidity support during the year and closed the year valued at USD111.5m (\$12.1bn) (2020:8.9bn). Fund assets remained heavily skewed in real estate at 64% of total assets. Investment income was \$823m, up from \$245.9m in 2020 largely contributed by rental income.

Liquidity for benefit payments was also unlocked through the realisation of the local equities which closed the year valued at \$3 billion from \$849 million in 2020. At the close of the year, the Fund held a total of \$85.5million (\$0.6million in 2020) in Prescribed Assets instruments which is a compliance level of 0.2%.

### **Membership**

The total membership of the Fund as at 31<sup>st</sup> December 2021 was 17 924, down from 18 222 at the beginning of 2020.

## **FINANCIAL HIGHLIGHTS**

The Amount of Fund increased by 200% from \$21bn to \$42.5bn at the end of the year due to fair value gains on investments and exchange gains which accrued on the external assets.

2021 administration and governance expenses at \$259m, were above the 2020 figures (\$97.4m) on account of inflationary pressures.

Results of the actuarial valuation as at the end of 2021 determined that the Fund was in deficit by \$280.6m which is a funding a level of 99.3%.

## **OUTLOOK**

Going into 2022, prospects are promising for a good agricultural season and with it an improved economy, notwithstanding unexpected negative influences. Dollarization is expected to continue apace, encouraged by the increased use of the USD in the economy, hence firming the belief that the growth of the economy is assured and the local investment landscape shall improve. The resilience of the Fund in the face of the pandemic over the past 18 months was very encouraging and we look forward to a pandemic free 2022.

Trustees shall continue to actively review Fund strategies against the prevailing market conditions to protect members' interests. Through integration of the Fund's enterprise-wide risk management efforts, Trustees shall seek to arrest the continued decline of the funding level through optimising investment returns and curtailing expense growth. The conversion of the benefit design from a defined benefit scheme to a sustainable scheme is expected to be concluded in the coming year.

## **BOARD AND EXECUTIVE CHANGES**

The year started on a sad note, Mr. S. Kwetemu passed on 1 January 2021. May his soul rest in peace. Mrs. G. Kunda retired on 15 February 2021 and was replaced by Mr. S. Mlambo, who joined the Board on 13 August 2021. Mr. N. Maravanyika who had been appointed on 18 March 2021, resigned from the Board on 12 August 2021 and was replaced by Mr. T. Madanha on 13 August 2022.

## **APPRECIATION**

I would like to thank my fellow Trustees, Management and Staff for their contribution and efforts towards improved service delivery to our members. The performance of the Fund is also credited to our stakeholders for their contribution and support.



**S. SHAVA**

**CHAIRMAN**

**NATIONAL RAILWAYS OF ZIMBABWE CONTRIBUTORY PENSION FUND**

**ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
	Notes	ZWL	ZWL
<b><u>INCOME</u></b>			
Contributions income	(i)	253,134,357.74	99,843,346.00
Interest income		202,499,749.85	41,764,573.03
Dividend income		118,035,125.86	44,231,277.05
Net rent	(ii)	526,185,796.07	203,736,466.85
Surplus/(loss) on asset disposals and other	(xii)	654,900,189.61	(13,048,483.96)
Sundry Income		-	3,064,393.62
<b>Total direct income</b>		<b>1,754,755,219.13</b>	<b>379,591,572.59</b>
Revaluation and exchange gains/ ( losses)	(iii)	20,457,280,353.80	17,404,462,661.57
Revision of provision		(3,844,372.89)	232,765.01
		<b><u>22,208,191,200.04</u></b>	<b><u>17,784,286,999.17</u></b>
<b><u>EXPENDITURE</u></b>			
Pension Benefits paid	(iv)	1,198,765,950.19	295,716,387.10
Administration and Governance expenses	(v)	259,331,003.40	97,478,430.01
Staff leave pay provision		12,106,314.68	10,586,877.37
<b>Total Expenditure</b>		<b>1,470,203,268.27</b>	<b>403,781,694.48</b>
<b>Surplus of Income over expenditure/(Excess of Expenditure over income)</b>		<b><u>20,737,987,931.77</u></b>	<b><u>17,380,505,304.69</u></b>
Opening Balance of Fund Amount		21,828,118,314.69	4,447,613,010.00
<b>Balance of Fund at year end</b>		<b><u>42,566,106,246.46</u></b>	<b><u>21,828,118,314.69</u></b>

**NATIONAL RAILWAYS OF ZIMBABWE CONTRIBUTORY PENSION FUND**

**ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

		2021	2020
	ZWL	ZWL	ZWL
<b>Non Current Assets</b>		<b>3,702,346.85</b>	<b>2,719,709.79</b>
Investments		<b>32,598,612,409.02</b>	<b>14,514,594,241.38</b>
Real estate	(vi)	29,039,465,000.00	13,613,200,000.00
Equities	(vii)	3,324,552,949.00	854,639,376.60
Good tenancy deposits and Self -Insurance fund investments		120,048,674.00	34,920,060.00
Debentures and mortgages		18,762,101.87	3,666,940.77
Approved Holdings	(viii)	85,556,984.20	680,006.17
Deposits and short term investments		10,226,699.95	7,487,857.84
Investments outside Zimbabwe	(xiii)	12,121,680,895.00	8,901,898,428.09
		<b>44,720,293,304.02</b>	<b>23,416,492,669.47</b>
<b>Amounts due by National Railways of Zimbabwe</b>	(xi)	536,965,668.88	178,898,527.90
<b>Current Assets</b>		<b>326,659,726.15</b>	<b>171,014,539.53</b>
Interest and dividends due		610,546.17	1,654,297.42
Rent debtors		211,956,357.70	75,756,764.83
Other Debtors		52,124,349.01	31,951,893.12
Cash on hand and at bank		61,968,473.27	61,651,584.16
<b>TOTAL ASSETS</b>		<b>45,587,621,045.90</b>	<b>23,769,125,446.69</b>
Financed by:			
<b>AMOUNT OF FUND</b>		42,566,106,246.46	21,828,118,314.69
Payables	(ix)	547,934,733.44	98,198,912.00
Good tenancy deposits and Self -Insurance fund investments		120,048,674.00	34,920,060.00
Long term loans	(x)	2,353,531,392.00	1,807,888,160.00
<b>TOTAL FUND AMOUNT AND PAYABLES</b>		<b>45,587,621,045.90</b>	<b>23,769,125,446.69</b>

## **NOTES**

### **(i) Contributions**

Contribution income is made up of Member contributions (\$85 957 066), Employer contributions (\$150 811 796) and Redundancy payments due from the employer (\$16 365 496).

Member contributions are billed at 8% of pensionable emoluments, while redundancy payments relate to amounts billed to the Employer for staff members made redundant during the course of the year.

Employer contributions are billed at 14.4% of pensionable emoluments.

### **(ii) Net Rent**

Net rentals increased by 158.32%, closing the year at \$526.2m, due to rent reviews effected during the year.

### **(iii) Other Comprehensive Income/(losses)**

Other Comprehensive income is made up of fair value gains/(losses) on the Fund's investments and exchange gains /(losses).

### **(iv) Pension Payments**

Pension benefits were paid as follows

<b>Payments</b>	<b>YEAR TO 31/12/2021</b>	<b>YEAR TO 31/12/2020</b>
Pensions	1,092,253,885.00	244,838,987.00
Commutations	77,643,876.00	21,069,686.00
Lumpsums on death	16,771,541.00	3,208,148.00
Pension Refunds	11,111,688.00	26,594,466.00
Funeral grants	984,959.00	5,100.00
Interest on delayed benefits	-	-
<b>TOTAL</b>	<b>1,198,765,949.00</b>	<b>295,716,387.00</b>

### **(v) Administration and Governance expenses**

Admin and governance expenses increased by 165.9% during the year from \$97.5 million paid in 2020 to \$259.3 million paid in 2021.

### **(vi) Investment in Real Estate**

The Fund's real estate investment portfolio was revalued from \$13.6bn in 2020 to \$29.0bn as at the end of 2021.

### **(vii) Equities**

The value of Quoted shares held by the Fund was \$3.0 bn, an increase of 253.11% as compared to \$849.6 million the previous year, mainly driven by positive performance by the Fund's Asset managers.

Unquoted shares were valued at \$303m an increase of 5960% on the 2020 value of \$5m.

### **(viii) Approved Holdings**

The Fund's approved holdings were at 85.5m (0.19%) of our Balance sheet value.

### **(ix) Payables**

Payables amounted to \$547.9m at the end of 2021, largely made up of unclaimed and accrued pensions

### **(x) Long term loan**

Owing to the depreciation of the Z\$ against the pound, the Z\$ value of the GBP16M Standard bank loan went up from \$1.8bn in 2020 to \$2.4bn as at the end of 2021.

### **(xi) NRZ Indebtedness**

NRZ indebtedness closed 2021 at \$536.9m

### **(xii) Surplus/(loss) on asset disposals**

In 2021, the Fund made profits of \$643.9m on local share disposals and \$10.9m on external portfolio share disposals respectively.

### **(xiii) Investments outside Zimbabwe.**

Investments outside Zimbabwe are made up of bonds, equities and real estate.