

**THE ZIMBABWE ELECTRICITY SUPPLY AUTHORITY
(ZESA) STAFF PENSION FUND**

**FINANCIAL
REVIEW
AS AT
31 DECEMBER 2025**

PREPARED BY

QUANTUM CONSULTANTS & ACTUARIES
February 2026

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1. EXECUTIVE SUMMARY

To the Board Members,

1.1 Quantum Consultants & Actuaries (“Quantum” or “We”) have carried out an actuarial valuation of the Zimbabwe Electricity Supply Authority (ZESA) Staff Pension Fund (“the Fund”) as at 31 December 2025 (“the valuation date”) in line with your request.

1.2 All monetary amounts in this report are denominated in Zimbabwe Gold (i.e. ZWG) unless stated otherwise.

Status of report

1.3 This is the final report.

Recap of Previous Valuation

1.4 We previously conducted a valuation of the Fund as at 31 December 2024, before the recognition of the actuarial deficit. The results of this valuation indicated that the Fund had achieved investment returns of 150.9%. These returns were distributed to members through a final interest declaration of 150.9% and an additional pension increase of 23.11%.

1.5 Following the recognition of the actuarial deficit, we restated the financial review as at 31 December 2024. The results showed that the Fund assets achieved investment returns of 772.74%. These returns were distributed to members through a final interest declaration of 772.74% and an additional pension increase of 352.09%.

1.6 We were advised that the Fund implemented a pension increase of 23.11% with effect from 1 January 2025, followed by a further increase of 260% effective 1 September 2025.

Market Overview

1.7 The ZSE All Share index was 217.58 points as at 31 December 2024 and 277.86 points as at 31 December 2025, reflecting a 27.70% increase in the index.

- 1.8 The VFEX stood at 104.09 points as at 31 December 2024 and then 167.90 points as at 31 December 2025, reflecting a 61.30% increase in the index.
- 1.9 The ZWG CPI stood at 166.30 points as at 31 December 2024, and 191.31 points by 31 December 2025 indicating inflation of 15.04%. US\$ CPI moved from 108.91 as at 31 December 2024 to 122.39 on 31 December 2025, implying inflation of 12.37%.
- 1.10 Over the valuation period, the exchange rate changed from ZWG 25.7985 per USD as at 31 December 2024 to ZWG 25.9785 per USD as at 31 December 2025, representing a 0.71% loss in value.

Over the inter-valuation period the following Circulars were issued:

Circular	Issue date	Content
Circular 1 of 2025	2-Jan-25	Pension Funds Reporting Requirements.
Circular 2 of 2025	15-Feb-25	Submission of Quarterly Levy Computations and Due Dates.
Circular 4 of 2025	7-Feb-25	2025 IPEC AML/CFT/CPF Industry Training Calendar.
Circular 6 of 2025	24-Feb-25	Engagement with the Consultant on Financial Sector Development Policy.
Circular 7 of 2025	7-Mar-25	Invitation to Participate in Digital Transformation Assessment.
Circular 8 of 2025	27-Mar-25	2024 Financial Reporting.
Circular 9 of 2025	28-Mar-25	Directive on Revised Statutory Reporting Deadlines.
Circular 10 of 2025	28-Mar-25	Market Conduct Framework for The Insurance and Pensions Industry.
Circular 19 of 2025	27-Aug-25	Revised Quarterly Return for Pension and Provident Funds
Circular 20 of 2025	15-Aug-25	Registration of Financial Statements Preparers with Public Accountants and Auditors Board
Circular 21 of 2025	15-Aug-25	Urgent Request for Comprehensive Annuitants Data
Circular 22 of 2025	4-Sep-25	Guideline on Administrative Framework for Offshore Investments
Circular 23 of 2025	10-Sep-25	Request for Comments and Input into the Guideline on Preservation Funds
Circular 24 of 2025	10-Sep-25	Guideline on Revised Reporting Requirements for Pension Funds

Circular 25 of 2025	16-Sep-25	Board of Fund Members (Trustee) Toolkit
Circular 26 of 2025	15-Sep-25	Guideline on Self-insurance and Underwriting of Annuities by DC Funds

Key Assumptions

- 1.11 The key assumptions used to value pensioner liabilities in this valuation have been maintained consistent with those applied in the Fund's actuarial valuations since 2017. We consider that the long-term outlook for both the Fund's experience and the economy has not changed materially since the last valuation, and therefore no adjustment to the assumptions is warranted.

Summary of Membership Statistics

- 1.12 This valuation is based on data relating mainly to the following membership groups:

Year Ending	Paid-up Active Members	Deferred Pensioners	Current Pensioners
31-Dec-21	2 052	214	4 462
31-Dec-22	2 050	210	4 418
31-Dec-23	2 013	206	3 819
05-Apr-24	2 013	206	3 696
31 Dec-24	2 007	204	4 427
31 Dec-25	1 975	186	4 358
Change (2021-2025)	(77)	(28)	(104)

- 1.13 As at 31 December 2025, there were 157 members with unclaimed benefits, unchanged from the prior year. We recommend that the Fund transfer these unclaimed benefits to the Guardian Fund in accordance with the Fund's Rules, subject to available cash flow.

Assets

- 1.14 The financial statements provided showed that the value of assets amounted to ZWG 3.695 billion at the review date. A split of the asset's investments in each asset class at 31 December 2025, with comparative figures as at the previous review date, is summarized in the table below:

Category	31 December 2024		31 December 2025	
	Amount (ZWG)	Proportion of net assets	Amount (ZWG)	Proportion of net assets
Fixed Property	953 624 181	26%	1 012 983 339	27.48%
Ordinary Shares	81 431 511	2%	120 193 074	3.26%
Money Market	2 372 895	0%	1 761 246	0.05%
Actuarial Deficit	2 470 223 272	67%	2 537 197 303	68.84%
Operating Assets	154 580	0%	154 580	0.00%
Current Assets	192 520 001	5%	28 388 716	0.77%
Current Liabilities	(9 998 616)	0%	(15 085 045)	-0.41%
Net Assets	3 690 327 826	100.0%	3 685 593 214	100%

- 1.15 The Fund achieved a return of 5.03% over the period, falling short of the ZSE All Share Index, which rose by 27.70%. This difference largely reflects the Fund's asset mix, only a small portion is invested in equities, with the majority held in fixed property and the actuarial deficit (a notional asset representing unpaid employer contributions) both of which provide more stable but lower current returns.
- 1.16 The actuarial deficit constitutes the highest proportion of Fund assets at 68.84% as of 31 December 2025, with the next highest being property at 27.48%. Together they account for 96.33% of the Fund's assets.
- 1.17 The actuarial deficit was locked in at the US\$ value on the 5th of April 2024, being converted to ZWG at each future valuation date net of any payments made towards it by the Employer. This will guard the Fund's main asset against value erosion, protecting member benefits.

Contributions and Expenses

- 1.18 The Fund is closed to new members and further accrual of benefits. In terms of the DC rules of the Fund, the Fund is non-contributory.
- 1.19 We also note that with the rules of the Fund, all expenses incurred by the Fund are to be funded from the investment earnings generated from the Fund's assets.
- 1.20 The operating expenses over the inter-valuation period were ZWG 19.03 million. The expenses were 0.52% of the average Fund assets over the valuation period. The administration expenses for the period totalled ZWG 3.54 million, representing 0.10%, while the Board expenses amounted to ZWG 1.46 million, or 0.04% of the Fund's assets.
- 1.21 In accordance with the IPEC Expense Framework of 2022, the prescribed thresholds for inactive Funds are 0.60% for administration expenses and 0.01% for Board expenses, measured as a proportion of the Fund's assets.
- 1.22 The Fund complied with the administration expense threshold but did not meet the prescribed limit for Board expenses. Notwithstanding this, the investment earnings generated during the period were sufficient to cover the total expenses incurred.

Analysis of the Operational Efficiency of the Fund and the effect of consolidation with ZEIPF on Board Costs

- 1.23 We have assessed the Fund’s operational efficiency to evaluate the potential impact of consolidating with the Zimbabwe Electricity Industry Pension Fund (ZEIPF) on Board and administrative costs.
- 1.24 The review, guided by IPEC Circular 41 of 2021, covered the period 2020 to 2024 and used ratio and trend analysis of expenses, assets, and membership. Board and administrative expense ratios were benchmarked against IPEC regulatory thresholds to assess cost efficiency, compliance, and sustainability.
- 1.25 The annual expense ratios were calculated for each year and are summarized in the table below.

Expenses	2020	2021	2022	2023	Apr-24	Dec 2024	Dec-25
Board Expenses	0.023%	0.052%	0.071%	0.066%	0.013%	0.021%	0.04%
Administration fees	0.097%	0.218%	0.257%	0.196%	0.045%	0.064%	0.17%
Operating Expenses	0.358%	0.640%	0.952%	0.897%	0.232%	0.299%	0.51%

- 1.26 The Fund’s Board expenses have generally exceeded the IPEC threshold of 0.01%, indicating relatively high governance costs in relation to the Fund’s asset base and membership size. Although some improvement was noted in 2024, the current governance structure continues to exhibit limited scalability.
- 1.27 Notwithstanding the above, operating expenses have declined significantly from the elevated levels recorded in 2022 and 2023. The sustained reduction observed from April 2024 through to December 2025 reflects that the Fund has implemented deliberate measures to contain and lower administrative costs, resulting in improved operational efficiency.
- 1.28 It is also noteworthy that the Fund generated sufficient investment earnings during the period under review to cover its total expenses, ensuring that operating costs did not erode member assets.

1.29 The combined Board and administration expenses remain within the overall thresholds prescribed under the IPEC Expense Framework, supporting the Fund's continued compliance with regulatory requirements.

1.30 To further strengthen governance cost management, the Fund should consider structural interventions, including potential consolidation with the Zimbabwe Electricity Industry Pension Fund (ZEIPF), to spread Board and administrative expenses over a larger asset and membership base.

1.31 We further recommend reducing the Board size from nine members to the minimum acceptable number of five members and aligning Board fees with the IPEC Expense Framework limits.

Overall Assessment and Conclusion on Cost Efficiency and Aging Sustainability

1.32 In summary, the Fund is a closed, non-contributory scheme with an aging and declining membership, fully dependent on investment earnings to fund both benefit payments and operating expenses.

1.33 While overall expenses remain within the IPEC Expense Framework, Board expenses have consistently exceeded the prescribed threshold, highlighting limited cost scalability in a mature Fund. Administration expenses, however, have declined in recent periods, reflecting management's efforts to contain costs.

1.34 Notably, investment earnings generated during the period have been sufficient to cover total expenses, ensuring that member assets have not been eroded despite these cost pressures.

1.35 As the Fund's aging profile continues to exert pressure on assets and cash flows, governance and operational inefficiencies are expected to become more pronounced.

1.36 Accordingly, we recommend implementing sustained cost control and structural measures, including potential consolidation with ZEIPF, reducing the Board size to the minimum acceptable number of five members, and aligning Board fees with the IPEC Expense Framework limits. These measures aim to enhance operational efficiency, maintain regulatory compliance, and support the Fund's long-term sustainability.

Financial Position

- 1.37 The Fund's assets amounted to ZWG 3.686 billion at the review date, whereas those of Fund liabilities amounted to ZWG 3.590 billion. Therefore, the Fund was in a financially sound position, with a surplus of ZWG 95.25 million. This translated to a funding level of 102.65%.
- 1.38 Considering the returns recorded during the review period, we recommend that no pension increases be granted to the Fund's pensioners and that a bonus of **5.03%** be awarded to the accumulated balances of paid-up active members and reserves.
- 1.39 We further recommend that the Fund establish a Zim-mortality implementation reserve for both active members and Category 1 pensioners as a preparatory step towards the full adoption of the Zim mortality tables. The reserve should be funded from the Fund's investment returns, given its non-contributory nature. It will continue to grow through future investment returns, thereby meeting the additional liability associated with the adoption of the mortality tables.
- 1.40 As active members will become future pensioners, setting aside a reserve for this group will help cushion the additional liability arising from the adoption of the Zim mortality tables. To avoid cross-subsidisation between cohorts, the reserve should be split and tracked separately for each group.
- 1.41 For Category 2 pensioners, the Fund can utilise the Pensioners Reserve, as it is sufficient to cover the additional liability arising from the adoption of the Zim mortality tables.
- 1.42 We also recommend that the Board consider the Fund's available liquidity when determining the level of future pension increases to be awarded.
- 1.43 In addition, we have established an IPEC Compliance reserve, comprised of the Fund surplus, which will be used to cover future Fund expenses.
- 1.44 The table below sets out the financial position of the Fund at 31 December 2025, together with comparative figures as at 31 December 2024:

Category	31-Dec-24		31-Dec-25	
	Before Interest (ZWG)	After Interest (ZWG)	Before Interest (ZWG)	After Interest (ZWG)
Net Assets	3 690 327 824	3 690 327 824	3 685 593 216	3 685 593 216
Total Liability (b= c + d + e)	675 296 371	3 610 631 618	3 590 343 509	3 685 593 216
Actuarial Liabilities (c)	577 358 071	3 326 216 611	3 344 717 370	3 417 306 036
Paid-up actives	170 218 310	1 485 570 833	1 443 481 523	1 516 070 189
Deferred Pensioners	9 360 192	42 316 666	34 863 889	34 863 889
Pensioners: Category 1	397 779 569	1 798 329 112	1 856 673 179	1 856 673 179
Category 2			9 698 779	9 698 779
Outstanding Payments (d)	18 248 642	159 264 085	114 110 172	119 848 454
Pending Exits	1 177 509	10 276 647	10 276 647	10 793 431
Commuted Pensions	165 707	1 446 199	1 446 199	1 518 924
Deferred Pension ER Only	848 423	7 404 567	7 404 567	7 776 922
Unexpired Pensions	5 451 376	47 576 580	2 961 060	3 109 964
Arrear pension benefits	323 987	2 827 579	2 561 524	2 690 336
Outstanding Claims	3 113 382	27 171 870	26 899 606	28 252 312
AVCs	1 071 779	9 353 892	9 353 892	9 824 273
Unclaimed Benefits	1 651 657	14 414 741	14 414 741	15 139 618
ESC	4 444 822	38 791 937	38 791 937	40 742 675
Reserves (e)	79 689 657	125 150 996	131 515 967	148 438 726
Revaluation Gains Reserve	5 883 101	51 344 440	51 344 440	53 926 409
Data Reserve	73 806 556	73 806 556	79 312 614	83 301 024
Pensioners Reserve - Category 2			858 914	902 106
IPEC Compliance Reserve				10 309 187
Surplus (f = a- b)	3 015 031 453	79 696 209	95 249 707	-
Funding level (j = a/b)	546.50%	102.20%	102.65%	100.00%

Assessment of Implementing Zimbabwe Mortality Tables

1.45 We have also evaluated the Fund's financial position using the Zim-mortality tables, in line with the requirements of Circular 23 of 2024. Since the Fund is a defined contribution scheme with pensioners, the change in the mortality tables impacts only the pensioners' liability.

1.46 Below is a summary of the results, along with the comparative figures based on the old mortality tables before applying the pension increases:

	Liability using old mortality tables	Liability using Zim-mortality tables	Change
Deferred Pensioners	34 863 889	41 891 180	7 027 291
Pensioners: Category 1	1 856 673 179	2 313 360 419	456 687 240
Category 2	9 698 779	10 538 331	839 552
Total Pension Liabilities	1 901 235 847	2 365 789 930	464 554 083
Total Fund liabilities (b)	3 590 343 509	4 054 897 592	464 554 083
Total Fund Assets (a)	3 685 593 216	3 685 593 216	-
Surplus (c = a-b)	95 249 707	(369 304 376)	(464 554 083)
Funding level (d = a/b)	102.65%	90.89%	(11.76%)

- 1.47 Based on the Zim mortality tables, the Fund's liabilities have increased to ZWG 4.055 billion, while assets total ZWG 3.686 billion. This results in a deficit of ZWG 369.304 million, indicating an unsound financial position with a funding level of 90.89%.
- 1.48 This reflects a decrease in surplus of ZWG 464.554 million as at the review date due to the change in mortality tables, with the overall funding level declining.

Mortality Investigation from 2020 to 2025

- 1.49 We have also carried out a mortality investigation for the period 2020 to 2025 and compared the results to both the Zimbabwe Mortality tables and the mortality tables currently being used by the Fund. The a (55) ULT tables.
- 1.50 The Fund provided data on active, suspended, and deferred pensioners at the start of each year from 2020 to 2025, as well as information on pensioner deaths that occurred during the same period.
- 1.51 The table below shows the average number of pensioners, the number of deaths, and the corresponding death rate.

Year	2020	2021	2022	2023	2024	2025
Average number of pensioners	4 780	4 718	4 652	4 265	4 267	4 621
Number of Deaths	64	103	82	61	52	49
Death Rate	0.0136	0.0223	0.0179	0.0145	0.0123	0.0108

- 1.52 From the death data provided, we noted that there was a significant increase in the mortality rate in the year 2021, which gave a mortality rate above 0.02. This is consistent with the higher mortality experienced during the height of the Covid19 pandemic.
- 1.53 The average death rate over the period was **0.01524** per year. If we exclude the year 2021 as an outlier, we find that the average rate over the period decreases to **0.01383** per year.
- 1.54 We compared the resulting death rates with the Fund’s a(55) ULT mortality tables and the Zimbabwe mortality tables, focusing on the male mortality rate at the average age of 55 years, as presented in the table below:

	ZESA Pension Fund	a (55) ULT	Zimbabwe Mortality Table
Mortality Rate	0.01383	0.00870	0.01495

- 1.55 An average age of 55 years was derived from the membership data used over the investigation period and was adopted as a representative age, as it reasonably reflects the age profile of the membership.
- 1.56 The analysis suggests that, at the representative age derived from the Fund’s average membership age, the Zimbabwe mortality table reflects higher mortality than the Fund’s observed experience. However, this result is indicative only, as it is based on a single age comparison, a short observation period, and a relatively small membership, which limits statistical credibility.
- 1.57 Continued monitoring over a longer period will therefore be required before concluding whether the Fund’s mortality experience differs materially from the standard tables.

Roadmap to the implementation of the Zim-mortality tables by the Fund.

- 1.58 We recommend that the Fund establish an implementation reserve, funded from the investment returns, given that it is non-contributory with respect to paid-up active members and Category 1 pensioners.

- 1.59 For Category 2 pensioners, the Fund can utilise the Pensioners Reserve, as it is sufficient to cover the additional liability arising from the adoption of the Zim mortality tables.
- 1.60 We further recommend that the Fund engage with the regulator to propose the adoption of the Zim mortality tables by 2030, subject to appropriate stress adjustments calibrated to align with the Fund's actual mortality experience, based on experience investigations conducted over the period to 2030.
- 1.61 While this approach may result in a change to the current mortality basis, the use of experience-based stresses ensures that the assumption remains appropriate for the Fund. Given the Fund's non-contributory nature, adopting unstressed Zim mortality tables would increase exposure to longevity risk.
- 1.62 Implementing stressed Zim mortality tables and establishing an implementation reserve is feasible, as both rely on existing Fund experience and investment returns, require no changes to benefits, and can be managed within the Fund's current governance and resources.

Assessing the effect of aligning pensioners' liability reserving to ZEIPF

- 1.63 This assessment was undertaken to evaluate the effect of aligning the pensioners' liability reserving basis of the ZESA Staff Pension Fund (ZESA) to that of the Zimbabwe Electricity Industry Pension Fund (ZEIPF).
- 1.64 The table below compares pensioners' liabilities under the existing ZESA Staff Pension Fund (ZESA) assumptions and the aligned ZEIPF assumptions:

	Liability using old mortality tables	Liability using Zim-mortality tables	Change
Deferred Pensioners	34 863 889	36 866 839	2 002 950
Pensioners: Category 1	1 856 673 179	2 101 567 802	244 894 623
Category 2	9 698 779	10 884 189	1 185 410
Total Pension Liabilities	1 901 235 847	2 147 959 440	246 723 593
Total Fund liabilities (b)	3 590 343 509	3 837 067 102	246 723 593
Total Fund Assets (a)	3 685 593 216	3 685 593 216	-
Surplus (c = a-b)	95 249 707	(151 473 886)	(246 723 593)
Funding level (d = a/b)	102.65%	96.05%	(6.60%)

- 1.65 The alignment is intended to serve as groundwork for the proposed consolidation of pensioners' liabilities under the approved consolidation framework and to support the long-term segregation of pensioners' assets.
- 1.66 The alignment of pensioners' liability reserving to ZEIPF assumptions increases the total pensioners' liability by ZWG 246.724 million, representing a 6.60% change relative to the ZESA Pension Fund basis. The funding level reduces from 102.65% to 96.05%.
- 1.67 The primary driver of the increase in liabilities is the pension increase assumption, which rises from 1.0% under the ZESA Staff Pension Fund basis to 6.04% under the ZEIPF basis. This materially increases projected future pension payments, particularly over the long duration applicable to active pensioners.
- 1.68 A second significant driver is the post-retirement mortality assumption. The PA (90) mortality table reflects improved longevity relative to the a(55) ultimate table, increasing the expected period over which pensions are payable.

Cross-Subsidisation Risk Assessment

- 1.69 Based on the analysis performed, there is insufficient evidence to conclude that cross-subsidisation exists within the Fund. Accordingly, the Fund is not considered to be exposed to material cross-subsidisation risk at this stage.
- 1.70 Prudent risk-mitigation measures are in place to maintain equity, including actuarial advice on affordable bonuses, notional account splits between active members and pensioners, and periodic valuations to monitor the Fund's financial position.
- 1.71 To further enhance transparency and reduce any potential for future cross-subsidisation, the Fund should also consider the eventual physical separation of assets between the respective member groups. We have set out the detailed analysis in **Appendix V**.

Conclusion

1.72 Overall, the Fund was in a sound financial position as at 31 December 2025.

1.73 A summary of all our recommendations is outlined in **Section 10** of the report.

1.74 We have set out the required certifications in **Appendix VI**.

2. INTRODUCTION

2.1 We refer to your request that Quantum Consultants and Actuaries (“Quantum” or “We”) carries out a valuation of the Zimbabwe Electricity Supply Authority (ZESA) Staff Pension Fund (“the Fund”) as at 31 December 2025 in line with IPEC Guidelines, as well Government of Zimbabwe (“GOZ”) issued Statutory Instruments.

2.2 We now have pleasure in presenting our report.

Addressee

2.3 This report is addressed to the Board of Fund and may be made available to the Fund sponsor. This report and its contents are confidential and may not be used for any other purpose except the purposes outlined in the report.

Summary of Fund Benefit Structure

2.4 The Fund is a self-administered defined contribution arrangement, with effect from 1 January 2020. Deferred pensioners and pensions in payment as at the date of conversion from a DB arrangement, remain as such with the applicable provisions of the old rules remaining in place for the pensioners.

2.5 The benefits for deferred pensioners were maintained in their DB format as pensions entitled to pension increases, with the pension increases being what can be afforded from the future investment earnings. There was no prejudice to deferred pensioners in maintaining them as such.

2.6 The benefit on exit for active members is based on the member’s Fund Credit. This is composed of the conversion value increased with returns earned on Fund assets and any other proportionate allocations or adjustments which may be required at the advice of the Actuary and as agreed by the Board from time to time.

2.7 The allocated returns are the returns generally reflecting the investment earnings on Fund assets less investment and Fund administration expenses as determined by Board after consultation with the Actuary.

Purpose

- 2.8 The purpose of this valuation is to:
- i. place a value on the liabilities and assets of the Fund;
 - ii. assess the financial position of the Fund by comparing the available assets to liabilities;
 - iii. recommend a final return and pension increase for the period ending 31 December 2025; and
 - iv. comment on any other issues pertinent to the Fund.

Professional Issues

- 2.9 This report has been prepared in accordance with the Actuarial Professional Standards (APs) issued by the Institute and Faculty of Actuaries and the Technical Actuarial Standards (TAS) issued by the Financial Reporting Council current at the date of signing this report. These standards set out the minimum requirements of an actuarial valuation report to meet the standards of the actuarial profession.
- 2.10 This report has considered SAP 201 issued by the Actuarial Society of South Africa, except that as this Fund is not registered in South Africa, certain aspects not relevant to the Fund have been excluded.
- 2.11 This report has been peer reviewed internally.

Currency and Limitations

- 2.12 Amounts stated in this report are denominated in Zimbabwe Gold (ZWG) unless stated otherwise.
- 2.13 The results of the valuation are an estimate of the cost of the benefits, which the Fund provides, based on assumptions regarding the future of the Fund, and do not influence the actual cost of the benefits. It is the experience of the Fund that will determine the actual cost.

3. BACKGROUND TO THE FUND

Fund Conversion

- 3.1 The Fund converted from a Defined Benefit (DB) arrangement to a Defined Contribution (DC) arrangement with effect from 1 January 2020. The Conversion was approved by IPEC on 16 June 2022.
- 3.2 On Conversion from DB to DC, the ZESA Holdings resolved to adopt the deficit at Conversion as a debt to the Fund. The debt would accrue interest at the Fund Bank's unsecured overdraft interest rate. We were advised that the debt adoption and conditions were agreed to by the Board of the Fund and approved by IPEC.

Restating the actuarial deficit as of 5 April 2024

- 3.3 The Employer failed to make timely repayments of this debt in line with the agreed terms of the Deed of Settlement. The value of the debt was eventually eroded in value due to high levels of inflation, resulting in a loss in Fund value. It is on this background that negotiations between the Employer and the Fund culminated in the request to carry out the Fund's valuation as at 5 April 2024 on a defined benefit basis, to restate the value of the actuarial deficit.
- 3.4 The request was in line with the legal opinion issued by Muvingi and Mugadza Legal Practitioners to the sponsoring Employer, ZESA Holdings. In section 6.1.2 of the opinion, they recommended that
- “Both parties should engage a qualified actuary to undertake a comprehensive actuarial deficit valuation. This valuation should be conducted in United States Dollars (USD) as of the date of the currency change (5 April 2024), in accordance with the requirements set forth by the relevant legal provisions, including Section 48 of the Pension and Provident Funds Act. The actuary will assess the true value of the deficit, ensuring that the calculation is accurate and reflects the current economic conditions.”*
- 3.5 The legal opinion was adopted by the ZESA Holdings Finance Committee, and the result of the actuarial deficit was adopted by the ZESA Holdings Board on 26 June 2025.
- 3.6 This financial review exercise accounts for the adoption of the 5 April 2024 actuarial deficit value of USD 104.65 million.

Recap of Previous Valuation

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Circular 4 of 2025	7-Feb-25	2025 IPEC AML/CFT/CPF Industry Training Calendar.
Circular 6 of 2025	24-Feb-25	Engagement with the Consultant on Financial Sector Development Policy.
Circular 7 of 2025	7-Mar-25	Invitation to Participate in Digital Transformation Assessment.
Circular 8 of 2025	27-Mar-25	2024 Financial Reporting.
Circular 9 of 2025	28-Mar-25	Directive on Revised Statutory Reporting Deadlines.
Circular 10 of 2025	28-Mar-25	Market Conduct Framework for The Insurance and Pensions Industry.
Circular 19 of 2025	27-Aug-25	Revised Quarterly Return for Pension and Provident Funds
Circular 20 of 2025	15-Aug-25	Registration of Financial Statements Preparers with Public Accountants and Auditors Board
Circular 21 of 2025	15-Aug-25	Urgent Request for Comprehensive Annuitants Data
Circular 22 of 2025	4-Sep-25	Guideline on Administrative Framework for Offshore Investments
Circular 23 of 2025	10-Sep-25	Request for Comments and Input into the Guideline on Preservation Funds
Circular 24 of 2025	10-Sep-25	Guideline on Revised Reporting Requirements for Pension Funds
Circular 25 of 2025	16-Sep-25	Board of Fund Members (Trustee) Toolkit
Circular 26 of 2025	15-Sep-25	Guideline on Self-insurance and Underwriting of Annuities by DC Funds

Rule Amendments and Ex-gratia payments

3.14 A summary of the DC Fund rules is set out in **Appendix III**. We have not been notified of any amendments to the rules during the inter-valuation period.

4. MEMBERSHIP DATA

- 4.1 The data required for the valuation has been obtained from records maintained by the Fund.
- 4.2 We were provided with details relating to the following:
- i. Members' Accumulated Credits as 31 December 2024;
 - ii. Deferred Pensions as at 31 December 2025;
 - iii. Suspended Pensioners as at 31 December 2025 ;
 - iv. Pensions in payment as at 31 December 2025 which incorporates the pension increases awarded.
- 4.3 The data was checked for reasonability. We have set out in **Appendix I** summary details of the data checks performed.
- 4.4 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. Should this data be any different from the actual membership and asset position of the Fund this valuation may need to be re-done.
- 4.5 While data checks are performed for the purposes of this valuation the final accountability for the accuracy of the Fund's data resides with the Board and the Fund Management.
- 4.6 A summary of the membership data on which this valuation has been based together with statistics derived from this data is set out in the section below.

Key Membership Statistics

- 4.7 This valuation is based on data relating mainly to the following membership groups:

Year Ending	Paid-up Active Members	Deferred Pensioners	Current Pensioners
31-Dec-21	2 052	214	4 462
31-Dec-22	2 050	210	4 418
31-Dec-23	2 013	206	3 819
05-Apr-24	2 013	206	3 696
31 Dec-24	2 007	204	4 427
31 Dec-25	1 975	186	4 358
Change (2021-2025)	(77)	(28)	(104)

4.8 The table below further summarises the breakdown of the membership:

Membership Summary			
	31 December 2024	31 December 2025	Change
Actives			
Number	2 007	1 973	(32)
Average Age	54.4	54.8	0.4
Average term to retirement	5.9	5.53	(0.37)
Deferred Pensions			
Number	204	186	(1)
Pension weighted average age	56	57.22	1.22
Total Pensions (ZWG)	995 411	3 506 555	252%
Average Pensions (ZWG)	4 683	18 852	303%
Pensions in Payment			
Number	3 656	3 602	(54)
Pension weighted average age	63.7	63.9	0.2
Total Pensions (ZWG)	41 189 434	194 615 170	372%
Average Pensions (ZWG)	11 266	54 030	380%
Suspended Pensioners			
Number	771	756	(15)
Pension weighted average age	57.0	61.4	4.4
Total Pensions (ZWG)	1 766 473	9 092 455	415%
Average Pensions (ZWG)	2 291	12 027	425%

4.9 The number of members with unclaimed benefits was 157 as at 31 December 2025, consistent with the prior year. We recommend that the Fund transfer the unclaimed benefits to the Guardian Fund in line with the Rules of the Fund subject to cashflow availability.

4.10 We conducted data checks, communicated all queries to the administrator, and ensured they were resolved.

4.11 The calculations and recommendations in this report are based on the data provided and certified by the administrator. Should significant changes be made to the data, then our calculations would have to be revised.

5. ASSETS

- 5.1 The objective of valuing a pension Fund's assets is to compare them with the Fund's accrued liabilities. This involves assessing the underlying long-term value of the assets in a manner consistent with the principles applied in valuing the Fund's liabilities.
- 5.2 For this valuation, we were provided with the Fund's financial statements for the period from 01 January 2025 to 31 December 2025. We have relied on the accuracy of these statements in determining the market value of the Fund's assets at the valuation date.
- 5.3 In performing this exercise, we have assumed that the market values reported in the financial statements fairly represent the value of the assets as at 31 December 2025.

Actuarial Deficit

- 5.4 The actuarial deficit was locked in at the US\$ value on the 5th of April 2024, being converted to ZWG at each future valuation date net of any payments made towards it by the Employer. This will guard the value of the Fund's main asset against value erosion, protecting member benefits.

Investment Allocation

- 5.5 The actuarial deficit constitutes the highest proportion of Fund assets at 68.84% as of 31 December 2025, with the next highest being property at 27.48%. Together they account for 96.33% of the Fund's assets. Given the illiquid nature of these assets, the Board is advised to take this into consideration when awarding pension increases and lump sum disbursements.
- 5.6 The financial statements provided showed that the value of assets amounted to **ZWG 3.686 billion** at the valuation date. A split of the assets invested in each investment class with comparative figures at the conversion valuation date, is summarized in the table below:

Category	31 December 2024		31 December 2025	
	Amount (ZWG)	Proportion of net assets	Amount (ZWG)	Proportion of net assets
Fixed Property	953 624 181	26%	1 012 983 339	27.48%
Ordinary Shares	81 431 511	2%	120 193 074	3.26%
Money Market	2 372 895	0%	1 761 246	0.05%
Actuarial Deficit	2 470 223 272	67%	2 537 197 303	68.84%
Operating Assets	154 580	0%	154 580	0.00%
Current Assets	192 520 001	5%	28 388 716	0,77%
Current Liabilities	(9 998 616)	0%	(15 085 045)	-0,41%
Net Assets	3 690 327 826	100.0%	3 685 593 214	100%

5.7 A Consolidated Revenue Account of the assets held by the Fund is shown in **Appendix II**.

5.8 The Fund achieved a return of 5.03% over the period, falling short of the ZSE All Share Index, which rose by 27.70%. This difference largely reflects the Fund's asset mix, only a small portion is invested in equities, with the majority held in fixed property and the actuarial deficit (a notional asset representing unpaid employer contributions) both of which provide more stable but lower current returns.

5.9 The investment return is mainly driven by the revaluation gains on Fund assets; particularly property.

5.10 IPEC Circular 2 of 2022 sets the maximum investment regarding each asset class as follows:

- Quoted equity Investments 60%
- Unquoted equity investments 15%
- Property investments 40%
- Prescribed Assets 40%
- Money market and Cash 20%
- Foreign Investments 15%
- Other investments 5%
- Bonds/Stocks+ Property investments 75%

5.11 IPEC issued out Circular 1 of 2019 which calls for pension Funds to invest a minimum 20% in prescribed asset. The Board ought to consider this piece of regulation in reviewing the Fund's asset mix.

Contributions and Expenses

- 5.12 The Fund is closed to new members and further accrual of benefits. In terms of the DC rules of the Fund, the Fund is non-contributory.
- 5.13 We also note that with the rules of the Fund, all expenses incurred by the Fund are to be funded from the investment earnings generated from the Fund's assets.
- 5.14 The operating expenses over the inter-valuation period were ZWG 19.03 million. The expenses were 0.52% of the average Fund assets over the valuation period. The administration expenses for the period totalled ZWG 3.54 million, representing 0.10%, while the Board expenses amounted to ZWG 1.46 million, or 0.04% of the Fund's assets.
- 5.15 As per the IPEC Expense Framework of 2022, the thresholds for inactive Funds are set at 0.6% for administration and 0.01% for board expenses, based on the Fund's assets. Total expenses were 0.52% of assets. As a result, the Fund was not compliant with the Expense Framework relating to board expenses.

Analysis of the Operational Efficiency of the Fund and the effect of consolidation with ZEIPF on Board Costs

- 5.16 We have assessed the Fund's operational efficiency to evaluate the potential impact of consolidating with the Zimbabwe Electricity Industry Pension Fund (ZEIPF) on Board and administrative costs.
- 5.17 The review, guided by IPEC Circular 41 of 2021, covered the period 2020 to 2024 and used ratio and trend analysis of expenses, assets, and membership. Board and administrative expense ratios were benchmarked against IPEC regulatory thresholds to assess cost efficiency, compliance, and sustainability.
- 5.18 The annual expense ratios were calculated for each year and are summarized in the table below.

Expenses	2020	2021	2022	2023	Apr-24	Dec 2024	Dec-25
Board Expenses	0.023%	0.052%	0.071%	0.066%	0.013%	0.021%	0.04%
Administration fees	0.097%	0.218%	0.257%	0.196%	0.045%	0.064%	0.17%
Operating Expenses	0.358%	0.640%	0.952%	0.897%	0.232%	0.299%	0.51%

- 5.19 The Fund's Board expenses have generally exceeded the IPEC threshold of 0.01%, indicating relatively high governance costs in relation to the Fund's asset base and membership size. Although some improvement was noted in 2024, the current governance structure continues to exhibit limited scalability.
- 5.20 Notwithstanding the above, operating expenses have declined significantly from the elevated levels recorded in 2022 and 2023. The sustained reduction observed from April 2024 through to December 2025 reflects that the Fund has implemented deliberate measures to contain and lower administrative costs, resulting in improved operational efficiency.
- 5.21 It is also noteworthy that the Fund generated sufficient investment earnings during the period under review to cover its total expenses, ensuring that operating costs did not erode member assets.
- 5.22 The combined Board and administration expenses remain within the overall thresholds prescribed under the IPEC Expense Framework, supporting the Fund's continued compliance with regulatory requirements.
- 5.23 To further strengthen governance cost management, the Fund should consider structural interventions, including potential consolidation with the Zimbabwe Electricity Industry Pension Fund (ZEIPF), to spread Board and administrative expenses over a larger asset and membership base.
- 5.24 We further recommend reducing the Board size from nine members to the minimum acceptable number and aligning Board fees with the IPEC Expense Framework limits.

Overall Assessment and Conclusion on Cost Efficiency and Aging Sustainability

- 5.25 In summary, the Fund is a closed, non-contributory scheme with an aging and declining membership, fully dependent on investment earnings to fund both benefit payments and operating expenses.
- 5.26 While overall expenses remain within the IPEC Expense Framework, Board expenses have consistently exceeded the prescribed threshold, highlighting limited cost scalability in a mature

Fund. Administration expenses, however, have declined in recent periods, reflecting management's efforts to contain costs.

- 5.27 Notably, investment earnings generated during the period have been sufficient to cover total expenses, ensuring that member assets have not been eroded despite these cost pressures.
- 5.28 As the Fund's aging profile continues to exert pressure on assets and cash flows, governance and operational inefficiencies are expected to become more pronounced.
- 5.29 Accordingly, we recommend implementing sustained cost control and structural measures, including potential consolidation with ZEIPF, reducing the Board size to the minimum acceptable number, and aligning Board fees with the IPEC Expense Framework limits. These measures aim to enhance operational efficiency, maintain regulatory compliance, and support the Fund's long-term sustainability.

6. VALUATION METHOD AND BASIS

Liability Valuation Method

- 6.1 We have based the opening values for the Fund's membership as at 1 January 2025 on the recalculated 31 December 2024 closing accumulations, which incorporate the return adjusted for the actuarial deficit.
- 6.2 In cases of members who have already been paid during the year, the balance due to them has been determined by deducting the amount paid out - adjusted with final returns from the expected Fund Credit at year end, had the members not been paid out.
- 6.3 This method was also applied when determining the value of Fund reserves that had been held over the course of the same period.
- 6.4 Deferred Pensioners and Pensions in Payment liabilities were determined as the discounted value of the expected future payments to the members allowing for investment returns and pensions increases detailed below:

Valuation Basis

- 6.5 The table below summarizes the assumptions used for this exercise:

Assumption	31 December 2024	31 December 2025
Investment Return	7%	7%
Pension Increase Rate	1%	1%
Post-Retirement Mortality Rates	a(55) ULT	a(55) ULT
Assumed age difference (M – F)	3 years	3 years

- 6.6 It should be noted that it is the relative levels of the investment return and salary escalation rate to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.
- 6.7 The old rules set the pensionable age at 60 years, while the DC registered rules require Category II pensioners to adhere to a pensionable age of 65. Additionally, the rules specify a 5-year guarantee period for pensions received and a spouse's entitlement of 50% of the main member's pre-commutation pension.

- 6.8 In the event that Fund members have dependent children, we have assumed that benefits will be provided to these children and orphans up to the age of 21. According to the rules, a child beneficiary's age limit is 18 years, with an extension to 23 years if they are pursuing tertiary education.
- 6.9 We have found this assumption to be appropriate, as it neither overestimates nor underestimates the reserve required for children's benefits.

Compliance with Guidelines

- 6.10 We have conducted this valuation in line with the IPEC Guidelines.

7. LIABILITIES

Paid-up Members' Account

7.1 In terms of the rules of DC scheme this is an account for the accrual of Paid-Up Members' Fund Credits.

7.2 The account shall be:

- Credited with:
 - Conversion values of Paid-up members at Conversion Date;
 - Interest allocated based on the investment earnings of the Fund, at the advice of the Actuary and subject to Board approval; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.
- Debited with:
 - Payments to paid up members on exiting from the Fund or retiring; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.

7.3 Considering the returns recorded during the review period, we recommend that no bonuses be awarded to the accumulated balances of paid-up active members.

7.4 We further recommend that the Fund establish a Zim-mortality implementation reserve for active members as a preparatory step towards the full adoption of the Zim mortality tables.

7.5 The reserve should be funded from the Fund's investment returns, given its non-contributory nature and it will continue to grow through future investment returns, thereby meeting the additional liability associated with the adoption of the mortality tables.

Category 1 Pensioners' Account

7.6 In terms of the registered rules of the DC scheme, this is the account within the Fund where assets backing liabilities for members who retired before the Conversion Date including deferred pensioners are credited and their pension payments are debited. The account shall be:

- Credited with:

- Deferred pensioners' and Pensions in payments' liabilities at Conversion Date;
 - Investment earnings on the assets backing the Category I pensioners' liabilities, at the advice of the Actuary and subject to Board approval; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.
- Debited with:
 - Monthly pensions paid to pensioners;
 - Lump sum commutations of pensions; and
 - Any other adjustments which may be recommended by the Actuary and subject to Board approval.

8. RESERVE ACCOUNT

8.1 This is the account created for the purposes of accounting for any reserves and provisions set up, at the advice of the Actuary, as discussed below.

IPEC Compliance Reserve

8.2 The IPEC Compliance Reserve, funded from the Fund's surplus, is maintained to cover future Fund expenses and ensure compliance with IPEC regulations, which require a DC Fund to be fully funded at 100%.

AVC Reserve

8.3 This is the equivalent ZWG amount of the accumulated Additional Voluntary contributions, at the conversion date, for members who made AVCs into the Fund in the past. The reserve is grown using the Fund returns.

Unclaimed Benefits Reserve

8.4 This reserve caters for the liability of Members who have outstanding benefits, remaining unclaimed within the Fund. According to IPEC, unclaimed benefits should be transferred to the Guardian Fund. However, the Fund has not yet done so due to ongoing liquidity challenges. The reserve is grown using the Fund returns.

Data Reserve

8.5 At the DB to DC conversion, we recommended the creation of a Data Reserve equal to 2% of the liabilities at the Conversion date, as a way of mitigating the risk of possible errors in the valuation data. The reserve is grown using the Fund returns.

8.6 We have adjusted the data reserve for the reinstated pensioners' liability and maintained the reserve at 2% of the Fund liabilities.

Pensioners Reserve - Category 2

8.7 The reserve represents the 12% of the two thirds commutation that was set aside for the pensioners who exited the Fund starting 1 January 2025 to date as a preparatory stage towards consolidation. The reserve will be grown using the Fund investment returns.

9. FINANCIAL POSITION AS AT 31 DECEMBER 2025

Financial Position

9.1 The Fund's financial position as at 31 December 2025 in respect of liabilities accrued over the inter-valuation period (01 January 2025 to 30 December 2025), assessed by reference to the method and assumptions described in **Section 6**, and allowing for the declared Interest and pension increases, can be summarized as follows:

Category	31-Dec-24		31-Dec-25	
	Before Interest (ZWG)	After Interest (ZWG)	Before Interest (ZWG)	After Interest (ZWG)
Net Assets	3 690 327 824	3 690 327 824	3 685 593 216	3 685 593 216
Total Liability (b= c + d + e)	675 296 371	3 610 631 618	3 590 343 509	3 685 593 216
Actuarial Liabilities (c)	577 358 071	3 326 216 611	3 344 717 370	3 417 306 036
Paid-up actives	170 218 310	1 485 570 833	1 443 481 523	1 516 070 189
Deferred Pensioners	9 360 192	42 316 666	34 863 889	34 863 889
Pensioners: Category 1	397 779 569	1 798 329 112	1 856 673 179	1 856 673 179
Category 2			9 698 779	9 698 779
Outstanding Payments (d)	18 248 642	159 264 085	114 110 172	119 848 454
Pending Exits	1 177 509	10 276 647	10 276 647	10 793 431
Commuted Pensions	165 707	1 446 199	1 446 199	1 518 924
Deferred Pension ER Only	848 423	7 404 567	7 404 567	7 776 922
Unexpired Pensions	5 451 376	47 576 580	2 961 060	3 109 964
Arrear pension benefits	323 987	2 827 579	2 561 524	2 690 336
Outstanding Claims	3 113 382	27 171 870	26 899 606	28 252 312
AVCs	1 071 779	9 353 892	9 353 892	9 824 273
Unclaimed Benefits	1 651 657	14 414 741	14 414 741	15 139 618
ESC	4 444 822	38 791 937	38 791 937	40 742 675
Reserves (e)	79 689 657	125 150 996	131 515 967	148 438 726
Revaluation Gains Reserve	5 883 101	51 344 440	51 344 440	53 926 409
Data Reserve	73 806 556	73 806 556	79 312 614	83 301 024
Pensioners Reserve - Category 2			858 914	902 106
IPEC Compliance Reserve				10 309 187
Surplus (f = a- b)	3 015 031 453	79 696 209	95 249 707	-
Funding level (j = a/b)	546.50%	102.20%	102.65%	100.00%

- 9.2 The Fund's assets amounted to ZWG 3.686 billion at the review date, whereas that of Fund liabilities amounted to ZWG 3.590 billion. Therefore, the Fund was in a financially sound position, with a surplus of ZWG 95.25 million. This translated to a Funding level of 102.65%.
- 9.3 Considering the returns recorded during the review period, we recommend that no pension increases be granted to the Fund's pensioners and that a bonus of **5.03%** be awarded to the accumulated balances of paid-up active members or to the reserves.
- 9.4 We further recommend that the Fund establish a Zim-mortality implementation reserve for both active members and pensioners as a preparatory step towards the full adoption of the Zim mortality tables. The reserve should be funded from the Fund's investment returns, given its non-contributory nature. It will continue to grow through future investment returns, thereby meeting the additional liability associated with the adoption of the mortality tables.
- 9.5 As active members will become future pensioners, setting aside a reserve for this group will help cushion the additional liability arising from the adoption of the Zim mortality tables. To avoid cross-subsidisation between cohorts, the reserve should be split and tracked separately for each group.
- 9.6 We recommend that the Board consider the Fund's available liquidity when determining the level of future pension increases to be awarded.
- 9.7 In addition, we have established an IPEC Compliance reserve, comprised of the Fund surplus, which will be used to cover future Fund expenses.

Analysis of Surplus

- 9.8 The table below sets out an analysis of the change in the financial position from 01 January 2025 to 31 December 2025.

Analysis of Surplus	
Description	ZWG
Surplus at the beginning of the period	79 696 207
Interest on surplus	5 578 734
Net Investment returns	(4 734 610)
Release of unexpired pensioners reserve	42 080 957
Investment strain	(70 968 973)
Actuarial gain excluding investment strain	44 241 977
Miscellaneous	(644 585)
Surplus at the end of the period	95 249 707

Zim-mortality Tables Assessment

9.9 We have also evaluated the Fund's financial position using the Zim-mortality tables, in line with the requirements of Circular 23 of 2024. Since the Fund is a defined contribution scheme with pensioners, the change in the mortality tables impacts only the pensioners' liability.

9.10 Below is a summary of the results, along with the comparative figures based on the old mortality tables before applying the pension increases:

	Liability using old mortality tables	Liability using Zim-mortality tables	Change
Deferred Pensioners	34 863 889	41 891 180	7 027 291
Pensioners: Category 1	1 856 673 179	2 313 360 419	456 687 240
Category 2	9 698 779	10 538 331	839 552
Total Pension Liabilities	1 901 235 847	2 365 789 930	464 554 083
Total Fund liabilities (b)	3 590 343 509	4 054 897 592	464 554 083
Total Fund Assets (a)	3 685 593 216	3 685 593 216	-
Surplus (c = a-b)	95 249 707	(369 304 376)	(464 554 083)
Funding level (d = a/b)	102.65%	90.89%	(11.76%)

9.11 Based on the Zim mortality tables, the Fund's liabilities have increased to ZWG 4.055 billion, while assets total ZWG 3.686 billion. This results in a deficit of ZWG 369.257 million, indicating an unsound financial position with a funding level of 90.89%.

9.12 This reflects a decrease in surplus of ZWG 464.554 million as at the review date due to the change in mortality tables, with the overall funding level declining.

Mortality Investigation from 2020 to 2025

- 9.13 We have also carried out a mortality investigation for the period 2020 to 2025 and compared the results to both the Zimbabwe Mortality tables and the mortality tables currently being used by the Fund. The a (55) ULT tables.
- 9.14 The Fund provided data on active, suspended, and deferred pensioners at the start of each year from 2020 to 2025, as well as information on pensioner deaths that occurred during the same period.
- 9.15 The table below shows the average number of pensioners, the number of deaths, and the corresponding death rate.

Year	2020	2021	2022	2023	2024	2025
Average number of pensioners	4 780	4 718	4 652	4 265	4 267	4 621
Number of Deaths	64	103	82	61	52	49
Death Rate	0.0136	0.0223	0.0179	0.0145	0.0123	0.0108

- 9.16 From the death data provided, we noted that there was a significant increase in the mortality rate in the year 2021, which gave a mortality rate above 0.02. This is consistent with the higher mortality experienced during the height of the Covid19 pandemic.
- 9.17 The average death rate over the period was 0.01524 per year. If we exclude the year 2021 as an outlier, we find that the average rate over the period decreases to 0.01383 per year.
- 9.18 We compared the resulting death rates with the Fund's a(55) ULT mortality tables and the Zimbabwe mortality tables, focusing on the male mortality rate at the average age of 55 years, as presented in the table below:

	ZESA Pension Fund	a(55) ULT	Zimbabwe Mortality Table
Mortality Rate	0.01383	0.00870	0.01495

- 9.19 An average age of 55 years was derived from the membership data used over the investigation period and was adopted as a representative age, as it reasonably reflects the age profile of the membership.

9.20 The analysis suggests that, at the representative age derived from the Fund's average membership age, the Zimbabwe mortality table reflects higher mortality than the Fund's observed experience. However, this result is indicative only, as it is based on a single age comparison, a short observation period, and a relatively small membership, which limits statistical credibility.

9.21 Continued monitoring over a longer period will therefore be required before concluding whether the Fund's mortality experience differs materially from the standard tables.

Roadmap to the implementation of the Zim-mortality tables by the Fund.

9.22 We recommend that the Fund establish an implementation reserve, funded from the investment returns, given that it is non-contributory with respect to paid-up active members and Category 1 pensioners.

9.23 For Category 2 pensioners, the Fund can utilise the Pensioners Reserve, as it is sufficient to cover the additional liability arising from the adoption of the Zim mortality tables.

9.24 We further recommend that the Fund engage with the regulator to propose the adoption of the Zim mortality tables by 2030, subject to appropriate stress adjustments calibrated to align with the Fund's actual mortality experience, based on experience investigations conducted over the period to 2030.

9.25 While this approach may result in a change to the current mortality basis, the use of experience-based stresses ensures that the assumption remains appropriate for the Fund. Given the Fund's non-contributory nature, adopting unstressed Zim mortality tables would increase exposure to longevity risk.

9.26 Implementing stressed Zim mortality tables and establishing an implementation reserve is feasible, as both rely on existing Fund experience and investment returns, require no changes to benefits, and can be managed within the Fund's current governance and resources.

Assessing the effect of aligning pensioners' liability reserving to ZEIPF

- 9.27 This assessment was undertaken to evaluate the effect of aligning the pensioners' liability reserving basis of the ZESA Staff Pension Fund (ZESA) to that of the Zimbabwe Electricity Industry Pension Fund (ZEIPF).
- 9.28 The table below compares pensioners' liabilities under the existing ZESA Staff Pension Fund (ZESA) assumptions and the aligned ZEIPF assumptions:

	Liability using old mortality tables	Liability using Zim-mortality tables	Change
Deferred Pensioners	34 863 889	36 866 839	2 002 950
Pensioners: Category 1	1 856 673 179	2 101 567 802	244 894 623
Category 2	9 698 779	10 884 189	1 185 410
Total Pension Liabilities	1 901 235 847	2 147 959 440	246 723 593
Total Fund liabilities (b)	3 590 343 509	3 837 067 102	246 723 593
Total Fund Assets (a)	3 685 593 216	3 685 593 216	-
Surplus (c = a-b)	95 249 707	(151 473 886)	(246 723 593)
Funding level (d = a/b)	102.65%	96.05%	(6.60%)

- 9.29 The alignment is intended to serve as groundwork for the proposed consolidation of pensioners' liabilities under the approved consolidation framework and to support the long-term segregation of pensioners' assets.
- 9.30 The alignment of pensioners' liability reserving to ZEIPF assumptions increases the total pensioners' liability by ZWG 246.724 million, representing a 6.60% change relative to the ZESA Pension Fund basis. The funding level reduces from 102.65% to 96.05%.
- 9.31 The primary driver of the increase in liabilities is the pension increase assumption, which rises from 1.0% under the ZESA Staff Pension Fund basis to 6.04% under the ZEIPF basis. This materially increases projected future pension payments, particularly over the long duration applicable to active pensioners.
- 9.32 A second significant driver is the post-retirement mortality assumption. The PA (90) mortality table reflects improved longevity relative to the a(55) ultimate table, increasing the expected period over which pensions are payable.

Cross-Subsidisation Risk Assessment

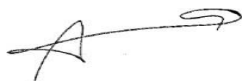
- 9.33 Based on the analysis performed, there is insufficient evidence to conclude that cross-subsidisation exists within the Fund. Accordingly, the Fund is not considered to be exposed to material cross-subsidisation risk at this stage.
- 9.34 Prudent risk-mitigation measures are in place to maintain equity, including actuarial advice on affordable bonuses, notional account splits between active members and pensioners, and periodic valuations to monitor the Fund's financial position.
- 9.35 To further enhance transparency and reduce any potential for future cross-subsidisation, the Fund should also consider the eventual physical separation of assets between the respective member groups. We have set out the detailed analysis in **Appendix V**.

10. CONCLUSIONS AND RECOMMENDATIONS

- 10.1 We have carried out a financial review of the ZESA Staff Pension Fund as at 31 December 2025. Based on the results of this review, the Fund is in a financially sound position as at 31 December 2025.
- 10.2 We certify that the Fund was in a sound financial position as at 31 December 2025 in terms of Section 37(4) of the Pension and Provident Scheme Regulations 1991.
- 10.3 The operating expenses over the inter-valuation period were ZWG 19.03 million. The expenses were 0.52% the average Fund assets over the valuation period. The administration expenses for the period totalled ZWG 3.54 million, representing 0.10%, while the Board expenses amounted to ZWG 1.46 million, or 0.04% of the Fund's assets.
- 10.4 Based on the Zim mortality tables, the Fund's liabilities have increased to ZWG 4.055 billion, while assets total ZWG 3.686 billion. This results in a deficit of ZWG 369.304 million, indicating an unsound financial position with a funding level of 90.89%.
- 10.5 This reflects a decrease in surplus of ZWG 464.554 million as at the review date, arising from the change in mortality tables, together with a decline in the overall funding level.
- 10.6 We recommend that Fund Management develop an IPEC-compliant implementation strategy for the adoption of the Zim-mortality tables, including the establishment of an implementation reserve (for category 1 Pensioners and Actives) and engagement with IPEC on the use of stressed Zimbabwe mortality tables.
- 10.7 For Category 2 pensioners, the Fund can utilise the Pensioners Reserve, as it is sufficient to cover the additional liability arising from the adoption of the Zim mortality tables.
- 10.8 We recommend that:
- The Board awards a bonus of **5.03%** to Paid-up Members' Fund Credits.
 - The Board awards a bonus of **5.03%** to Reserve Account balances.
 - The Board awarded no pension increases to pensioners who were already in the Fund as at 31 December 2025;

- The Board takes the necessary steps to bring the Fund into compliance with the Asset allocation per IPEC Circular 2 of 2022; and
- The Board implement strategies to eventually segregate assets between active members and pensioners, so as to enhance transparency and minimise potential cross-subsidisation.

10.9 We are available to discuss the contents of this report as may be required.



Tinashe Mashoko FASSA FIA
Consulting Actuary
Quantum Consultants and Actuaries

26 March 2026

APPENDIX I: DATA CHECKS

The data checks that were performed at the conversion date are outlined below:

1. We checked all the data for consistency with that used for the previous valuation.
2. For each pensioner in the data received we checked for consistency of dates of birth, gender and monthly pensions. We then performed the following reasonability checks:
 - Dates are valid;
 - Dates are in logical order, and consistent;
 - Ages fall within reasonable ranges; and
 - Pensions in payment lie within reasonable range and are consistent with the increases granted during the inter-valuation period.
3. We have used the deferred pensioners' data from the previous valuation. We however adjusted the data for pension increases which were granted.

APPENDIX II: CONSOLIDATED REVENUE ACCOUNT

A Consolidated Revenue Account of the assets held by the Fund is shown below:

Description	31 December 2025 Amount (ZWG)
Fund at beginning of period as at 01 January 2025	3 690 327 826
Opening adjustment	-
Adjusted opening balance	3 690 327 826
Contributions towards actuarial deficit	
Investment Income	180 964 434
Interest income	2 085 729
Dividends	5 567 810
Unrealised gains (Quoted shares)	35 917 592
Rental income	63 053 085
Revaluation Profit / loss on investment property	53 821 296
Profit/Loss on Disposal	(170 462)
Other Income	8 326 465
Exchange gain	21 329 098
Asset management fees	(574 351)
Custodial fees	(63 817)
Property management fees (property expenses)	(4 952 325)
Property maintenance costs	(2 177 768)
Increase in provision for bad debts	(1 197 918)
Benefits	166 668 117
Pensions paid to:	
members	80 938 043
surviving spouse	63 283 422
children and other dependants	2 943 293
Lumpsum benefits on retirement & retrenchment	18 105 954
Lumpsum benefits on death	1 397 406
Operating expenses	19 030 927
Staff costs (Salaries)	7 308 078
Administration expenses	3 544 039
Actuarial fees	705 399
Audit fees	354 164
Board expenses	1 464 002
IPEC levies	2 493 922
Bank charges	3 161 322
Fund at end of the period as at 31 December 2025	3 685 593 216

APPENDIX III: SUMMARY OF FUND RULES

Normal Retirement Age	60 years for most members with Category II Pensioners at 65 years
Contributions	The Fund is paid up and therefore non-contributory
Conversion Date	31 December 2025
Conversion Value	The amount at the conversion date of the member's opening Fund Credit in the DC arrangement in lieu of the accrued Defined benefits per the old rules as determined by the Actuary.
Deferred Pensioner	A member who withdrew from the service of the Employer before retirement age and leave the pension benefits within the Fund till retirement age
Fund Credit	Conversion value plus interest awarded after the conversion date.
Interest	The return awarded annually to the various Fund accounts and Paid-up members' Fund Credits.
Paid-Up Member	A member actively employed by the Employer who is not contributing to the Fund but have a Fund Credit in the Fund.
Paid-up Members Account	An account for the Paid-Up Members or Fund Credit.
Reserve Account	The account created for the purposes of accounting for any reserves and provisions set up at the advice of the Actuary
Normal Retirement	The Fund Credit is payable. The benefit for members retiring within 5 years after conversion date will be the greater of the Fund credit and the value as calculated by the Actuary of the pension calculated in terms of the Old Rules.
Early Retirement	A member who has attained age 55 may retire early. The Fund Credit is payable.

The benefit for members retiring within 5 years after conversion date will be the greater of the Fund credit and the value as calculated by the Actuary of the pension calculated in terms of the Old Rules.

Late Retirement

A member who has attained age 65 may retire late with the Employer's consent. The Fund Credit is payable.

The benefit for members retiring within 5 years after conversion date will be the greater of the Fund credit and the value as calculated by the Actuary of the pension calculated in terms of the Old Rules.

Resignation or dismissal

The Employee Fund Credit is payable to the member while the Employer Fund Credit maybe preserved in the Fund or Transferred to another Fund.

Death In Service

The Fund Credit is payable in terms of the rules of the Fund.

On the death of a Deferred pensioner before retirement death benefits in terms of the old rules are payable.

Death After Retirement

Benefits in respect of Category 1 Pensioners shall be in terms of the Old Rules. Those for Category 2 Pensioners shall be per the member's selection at retirement.

APPENDIX IV: FUND RISKS

Types Of Risk	Description	Mitigation
Regulatory Risk	✓ 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.	✓ This risk can be mitigated by staying informed and engaged of the regulatory changes establish a compliance framework build relationships with regulators conduct regular risk assessments implement effective policies and procedures
Investment Risk	✓ Risk of the fall in the price of equities bonds and property due to movements in economic market factors.	✓ This risk can be mitigated by diversifying the investment portfolio across product types and economic sectors.
Valuation Risk	✓ Risk that assets in the merged Fund are overvalued and are worth less than its carrying value when it is sold or matures	✓ Risk is reduced by engaging asset valuation experts to ensure transparency and consistency in the asset valuation process.
Credit Risk	✓ Risk of loss emanating from the failure of third parties such as sponsoring Employers and other debtors to pay their dues to the scheme.	✓ 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.

APPENDIX V: CROSS-SUBSIDISATION RISK ASSESSMENT

- V1. Cross-subsidisation risk arises where the financial experience of one membership cohort benefits or disadvantages another in a manner not intended under the Fund Rules.
- V2. Although the Fund operates on a defined contribution basis, risk may arise where assets are pooled but member accounts are notionally segregated, potentially resulting in unintended intergenerational transfers.

Methodology

- V3. We compared the liability profile of the Fund as at 5 April 2024 and 31 December 2024, which we consider representative of the Fund's assets allocated to each member cohort, and noted the changes over the period.
- V4. For this analysis, current pensioners, deferred pensioners, and outstanding payments were grouped into a single category and compared against the active members. The liability profiles of these cohorts were assessed to reflect the portion of the Fund's assets allocated to each group.
- V5. Under this methodology, significant changes in the liability profiles between the cohorts are indicative of material cross-subsidisation, whereas minimal changes suggest that there is no material cross-subsidisation risk.

Results

- V6. Based on the analysis performed, there is insufficient evidence to conclude that cross-subsidisation exists within the Fund as set out in the table below.

	5 April 24 (ZWG)	% Total Liabilities	31 Dec 24 (ZWG)	% Total Liabilities	% Variance
Frozen Actives	170 878 061	40%	1 485 570 833	41%	2%
Pensioners	242 669 292	56%	1 999 909 788	55%	-1%
Reserves +Surplus	17 685 136	4%	125 150 996	3%	-1%
Total Liabilities	431 232 489	100%	3 610 631 617	100,00%	

- V7. Based on the methodology applied, the liability profiles of the Fund's cohorts as at 5 April 2024 and 31 December 2024 were compared to assess cross-subsidisation risk.

- V8. Active members' share of total liabilities increased slightly from 40% to 41%, while pensioners' share decreased marginally from 56% to 55%, and reserves and surplus decreased from 4% to 3%. These changes are relatively minor, with the largest variance being only 2% for the active members.
- V9. Accordingly, the analysis indicates that there is no material cross-subsidisation risk within the Fund, as the assets allocated to each cohort remain broadly aligned with their respective liabilities, maintaining equity between active members and pensioners.

Key Drivers of Intergenerational and Cross-Subsidisation Risk

- V10. This section assesses cross-subsidisation risk within the ZESA Staff Pension Fund, reviews existing controls, and recommends measures to enhance equity and governance across cohorts.

Discretionary Pension Increases

- V11. Ad hoc or discretionary pension increases granted without a clearly identified funding source may be financed from pooled assets. Where not fully supported by the Pensioners' Account experience, this may reduce assets attributable to Active Members, resulting in intergenerational transfers for example Lumpsum pensions awarded by the Fund to existing pensioners.

Inflation and Indexation Risk

- V12. Pension increases awarded to partially offset inflation, in the absence of dedicated reserves or asset-liability matching, may be absorbed by general Fund assets. This may lead to Active Members indirectly funding pensioner benefit adjustments.

Underfunded Pensioner Liabilities

- V13. Where pensioner liabilities become underfunded and benefit reductions are impractical or impermissible, deficits may be addressed through higher employer contributions or increased funding from Active Members. This represents a direct and material form of cross-subsidisation.

Pooled Asset Structure

- V14. Although notional allocations are maintained, operational pooling of assets may give rise to cash flow timing mismatches and investment timing effects that disproportionately benefit or disadvantage specific cohorts.

Shared Expense Allocation

V15. Uniform allocation of administrative, governance, and investment management expenses may not reflect the differing cost drivers between Actives and Pensioners, potentially resulting in unintended cost transfers.

Longevity and Demographic Experience

V16. Adverse pensioner longevity experience, if not separately funded, may increase liabilities that are effectively absorbed by pooled assets, indirectly impacting Active Members.

Investment Strategy Misalignment

V17. A single investment strategy applied across cohorts with differing risk tolerances and liability structures may create uneven outcomes, benefiting one group at the expense of another.

Smoothing and Reserve Policies

V18. The use of smoothing mechanisms, surplus distribution policies, or contingency reserves without strict cohort attribution may redistribute gains or losses across generations.

Existing Risk-Mitigation Measures

V19. Despite the absence of material cross-subsidisation, the Fund has implemented a number of prudent measures to safeguard equity among member groups and ensure sustainable benefit allocations:

a. Actuarial Advice on Bonuses

The Fund consults the actuary to determine a sustainable bonus level that can be prudently supported by the Fund's investment returns, ensuring fairness and financial stability for all member groups

b. Notional Account Splits:

A notional split of accounts between active members and pensioners is applied when allocating bonuses. Under this approach, active members are credited with their full share of investment returns, while pensioners receive a pension increase based on investment returns adjusted for the post-retirement discount rate and the assumed pension increase. This methodology ensures transparency and fairness in benefit allocations between the different member groups.

c. Periodic Actuarial Valuations

The Fund undertakes regular actuarial valuations to assess its financial position, monitor emerging risks, and confirm that member benefits remain equitable over time.

d. Mortality Investigations

The Fund conducts periodic mortality investigations to track longevity and demographic trends within the pensioner cohort. These reviews help ensure that pensioner liabilities are accurately measured, enabling the Fund to identify emerging risks promptly and make any necessary adjustments to reserves, funding strategies, or contribution rates.

e. Recommended Physical Separation of Assets

To further reduce the potential for future cross-subsidisation, it is recommended that the Fund consider the eventual physical segregation of assets between active members and pensioners. This measure would enhance transparency and strengthen the Fund's governance framework.

Other Recommended Risk Mitigation measures

Risk Area	Mitigation Strategy	Objective
Discretionary Pension Increases	Implement a formal pension increase policy linked to predefined funding triggers and surplus availability.	Prevent unfunded benefit enhancements and protect Active Members' assets.
Inflation and Indexation Risk	Establish dedicated pension increase reserves and adopt asset-liability matching (LDI) strategies for pensioner liabilities.	Reduce reliance on pooled assets and manage inflation/interest rate risk.
Underfunded Pensioner Liabilities	Apply a cohort-attributed deficit recovery framework, clearly allocating funding responsibility.	Avoid unintended transfers from Actives to Pensioners.
Pooled Asset Structure	Strengthen notional accounting and implement clear return attribution policies between cohorts.	Improve transparency and reduce timing-related cross-subsidies.
Shared Expense Allocation	Allocate expenses based on measurable cost drivers (e.g., membership size, transaction volumes, asset values).	Ensure equitable cost attribution between Actives and Pensioners.
Investment Strategy Misalignment	Adopt differentiated investment strategies reflecting liability profiles and risk tolerances of each cohort.	Align risk exposure with benefit structure and cash flow needs.
Smoothing and Reserve Policies	Formalise surplus distribution and reserve utilisation policies with strict cohort attribution.	Prevent unintended redistribution of gains or losses.
Governance Oversight	Strengthen trustee governance, independent actuarial review, and periodic policy evaluation.	Ensure fairness, sustainability, and regulatory compliance.

Conclusion

V20. In summary, the ZESA Staff Pension Fund shows no material cross-subsidisation risk, with assets largely aligned to member liabilities. Existing measures such as actuarial advice, notional account splits, valuations, and mortality reviews maintain fairness between cohorts, though risks from discretionary increases, inflation adjustments, and pooled assets should be monitored. Physical segregation of assets is recommended to further enhance transparency and governance.

APPENDIX VI: IPEC CERTIFICATIONS

DATA CERTIFICATION BY THE REVALUATION ACTUARY

I the undersigned hereby certify that the data used to determine and distribute Revaluation Gains which arose in the 2025 financial year for the ZESA Staff 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 2025
- b. Reconciled the membership as at 31 December 2025.

Name of the Revaluation Actuary: Tinashe Mashoko

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

Signature: 

Date: 26 March 2026

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 ZESA Staff Pension Fund as at 31 December 2025 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 01 January 2025 and as at 31 December 2025.
- b. Reconciled the assets and liabilities by categories of pension membership between 01 January 2025 and as at 31 December 2025.
- c. Ensured equity in the distribution of revaluation gains between pension liabilities and between old and new members.

Name of the Revaluation Actuary: Tinashe Mashoko

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

Signature: 

Date: 26 March 2026

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

I the undersigned hereby certify that the ZESA Staff Pension Fund is solvent on an ongoing basis as at 31 December 2025 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”.

Measurement Date:	31 December 2025
	ZWG
Total Assets	3 685 593 216
Actuarial Liabilities	3 685 593 216
Surplus/ (Deficit)	-
Funding Level	100.00%

Name of the Revaluation Actuary: Tinashe Mashoko

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

Signature: 

Date: 26 March 2026