

# **THE BENEFITS' STRUCTURE AND ADMINISTRATION**

## **(A PRESENTATION BY THE CONTRIBUTIONS AND BENEFITS DEPARTMENT)**

### **1.0 INTRODUCTION**

The Contributions and Benefits Department was a creation of the restructuring that the Fund embarked upon and approved in 2003. The new organisation structure became operational effective 1st January 2004. The Department is under the Finance and Pensions Administration Directorate. The Department currently has 12 permanent members of staff headed by the Contributions and Benefits Manager. The Department is further broken into three sections namely: Compliance, Registration & Records and Benefits.

### **1.1 REGISTRY AND RECORDS**

The main objective is to register the members, update the member records, receive and scrutinise the claim forms, record the claims on the system, keep the paid claim records both in hard and soft copy formats.

### **1.2 COMPLIANCE SECTION**

The main objective is to educate the associated authorities and the members on the various provisions of the LASF act relating to the contributions, receive the contribution schedules, up date the member accounts, maintain the contribution schedules and collect the contributions.

### **1.3 BENEFITS SECTION**

The main objective is to administer an efficient benefits payment system.

**1.4** In addition to the above objectives, the department is tasked with the responsibility of facilitating the actuarial valuations of the Fund.

## **2.0 SUMMARY OF DEPARTMENTAL OBJECTIVES**

From the foregoing the following represents the summary of the objectives:

- Ensure that eligible members are registered with the Fund and the details relating to such members and their dependants are captured,
- Collect the contributions,
- Manage the benefits payments processes and
- Facilitate the actuarial valuation of the Fund

### 3.0 MEMBERSHIP OF THE FUND

The Fund derives its membership from all the 72 Local Authorities, Zambia Electricity Supply Corporation (ZESCO), National Housing Authority, Lusaka and Chipata Water & Sewerage Companies. The Fund currently has membership of about 15,000 actively contributing members and over 7,000 pensioners bringing the total membership to 22,000 members.

### 4.0 MEMBER STATEMENTS

The In-house Pension Management System has been designed to assist in the generation of members statements and the Department is currently validating the members' records with the view to resume sending members' statements within this year.

### 5.0 SUMMARIZED DEBTORS ON CONTRIBUTION

In terms of Section 20 of the LASF Act, contributions are a first charge on the salary or wages payable to a member and are required to be remitted to the Fund by the seventh day of the following month in which the salary was earned. The current position is that the Local and Associated Authorities have not complied with this provision in the remittance of the member contribution. The Debt owed to the Fund in form of unremitted contributions has been steadily increasing. The few Authorities that are current are National Housing Authority and Chongwe District Council. The table below depicts the trend in unremitted contributions over the thirteen month period

<b>Category</b>	<b>Balance B/F January 2004 K'000</b>	<b>Closing Balance December 2004 K'000</b>	<b>% (Increase)! Decrease 2004</b>	<b>Closing Balance January 2005 K'000</b>	<b>% (Increase)! Decrease To-Date</b>
Councils					
NHA&	25,926,896	31,951,015	(23%)	32,522,021	(25%)
Water	4,349,639	3,501,936	19%	3,494,289	20%
Cos.	28,036,238	36,926,908	(32%)	36,920,840	(32%)
ZESCO					

<b>Total</b>	58,312,774	72,379,859	(24%)	72,937,150	(25%)
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- The recovery of contribution arrears has been one of the Fund's major priorities in the Five Year Strategic Plan.
- In pursuit of the aforementioned, the Fund has entered into some payment plans with some associated authorities, which has particularly yielded positive results as evidenced in the category of NHA and the water companies.
- However, the poor liquidity levels in most of the associated authorities have resulted in high levels of non compliance.
- The high levels of non compliance has attributed to the overall build up of the Debtors on Contributions, which has gone up by 25% in the last thirteen months.
- The challenge of the Department is therefore to further collaborate with all Local and Associated Authorities in seeking innovative ways so as to achieve a remarkable downward trend in the recovery of contribution arrears.

## 6.0 STATISTICS ON CLAIMS RECEIVED

January 2004 to January 2005

Authority Category	Age Retirement s Sec.26	Medical Retirement s Sec.27	Retrenchment s Sec.28	Death Sec.3 5	Other s	Total
Councils						
NHA& Water	322	15	576	302	166	1,381
Cos.	18	6	2	13	9	48
ZESCO	45	6	5	94	22	172
LASF	2	0	2	0	0	4
<b>Total</b>	<b>387</b>	<b>27</b>	<b>585</b>	<b>409</b>	<b>197</b>	<b>1,605</b>
As a % of Total	24%	2%	36%	26%	12%	100%

- The on-going restructuring in the councils has attributed to a high number of claims lodged at the Fund. This accounts for 36% of the total claims received in the thirteen months, January 2004 to January 2005.
- Notably, ZESCO has recorded a proportionately higher number of death claims out of the total 1 72. This accounts for nearly 55% of the claims received from the institution.
- This also shows that if the NAPSA Act issue is not resolved quickly the LASF membership is dwindling at a faster rate.

## **7.0 BENEFITS**

### **7.1 BENEFITS PROCESSED**

The Fund from 1st January to 31st December 2004 had processed a total of K13.34 billion in various contingencies. Out of this amount Retirement accounted for the highest amount representing over 53% of the total amount processed.

### **7.2 UNPAID BENEFITS**

The unpaid benefits on the whole have been static on account of low levels of contribution receipts. However the Fund has made significant strides to clear the unpaid benefits in line with the Fund's five year strategic plan. The Fund during the year under review processed claims worth K13.34 billion and made payments in excess of k16.8 billion. This clearly shows the Fund's resolve to clear the unpaid benefits and the fact that if there were no unpaid benefits brought forward from the previous year the Fund would not have owed any eligible claimant his or her benefits in the year under review. Progress in settlement of outstanding benefit claims has been hampered by non payment of regular contributions by associated authorities as the following table depicts:

### **7.3 SUMMARY OF UNPAID BENEFITS BY ASSOCIATED AUTHORITIES**

<b>Authority Category</b>	<b>Opening Balance at January 2004 K'000</b>	<b>Closing Balance at December 2004 K'000</b>	<b>% (Increase)! Decrease 2004 K'000</b>	<b>Closing Balance at January 2005 K'000</b>	<b>% (Increase)! Decrease To-date K'000</b>
Councils	5,355,091	6,775,147	(27%)	7,804,495	(46%)
Chipata	53,337	58,318	(9%)	47,918	10%

Water	1,300,328	1,170,467	10%	1,106,916	15%
Lusaka	397,983	187,510	53%	82,124	79%
Water	15,221,942	14,207,253	7%	15,996,294	(5%)
NHA					
ZESCO					
<b>Total</b>	<b>22,328,681</b>	22,400,695	0.32%	25,039,495	

- Further, the Councils' failure to pre-fund the retrenchment benefits has been manifested in the upswing of about 46% of unpaid benefits from January 2004 to January 2005.
- On the whole, there has been a build up of 12% in unpaid benefits during the period under review.
- There has been some considerable decline in unpaid benefits for specific authorities, e.g. NHA, LWSO, Chipata Water, which is reflective of the positive corresponding effects of the payment plans than have been entered into.
- The unpaid benefits trend has been appreciably contained due to the fact that income from investments has largely been applied towards the payment of local authority beneficiaries.

## 8.0 BENEFITS STRUCTURE

### 8.1 RETIREMENTS BENEFITS

- On attainments of retirement age (Section 26)
- On medical grounds (Section 27)
- On abolition of Post or office, reorganisation or retrenchment.
  - In all the above cases, the formula is the same if a member has had 10 or more years of continuous service
  - The member can opt to commute 1/3 or 2/3 of the gross annuity
  - The net annuity is paid for life.

### 8.2 OTHER BENEFITS

- Retirement of female member on marriage (Section 31)
- Member's dismissal from service (Section 32)
- Members leaving employment with less than 7 years of continuous service (Section 33a)
- Members leaving employment with 7 or more years of service (Section

33b)

- Death benefits.