



NATIONAL PENSION SCHEME AUTHORITY

# **NAPSA REFORMS: THE IMPACT ON HUMAN RESOURCE MANAGEMENT**

PRESENTATION TO THE ZAMBIA INSTITUTE OF HUMAN  
RESOURCES MANAGEMENT – 2023

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# PRESENTATION OUTLINE

NAPSA at a  
glance

NAPSA Reforms

Impact of  
Reforms on  
Human Resource  
Management

Role of Human  
Resource  
Practitioners



# NAPSA AT A GLANCE

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- ❑ NAPSA was created by an Act of Parliament, NPS Act No.40 of 1996.
- ❑ It is mandated to administer the National Pension Scheme (NPS) and implement policy relating to NPS in accordance with the Act.
  - ✓ Registration of members
  - ✓ Collection of contributions
  - ✓ Investment of funds
  - ✓ Payment of benefits
- ❑ Contributions received from members and employers at 10% (5% employer and 5% employee) of gross earnings subject to a ceiling of four times the national average earning
- ❑ Membership to the scheme is compulsory for employees aged between 16 and 65



# NAPSA AT A GLANCE – BENEFITS PAID

- ❑ Essence of pension is to provide income replacement for life when a member loses their usual source of income.
- ❑ NAPSA achieves this through payment of the following benefits:
  - ✓ Retirement Benefit
  - ✓ Invalidity Benefit
  - ✓ Survivors Benefit
  - ✓ Pre-retirement Lumpsum Benefit\*
- ❑ The introduction of Pre-retirement Lumpsum Benefit is meant to provide income to members before they retire for them to invest in businesses of their choice to help create wealth and more jobs.



# NAPSA AT A GLANCE – PERFORMANCE AS AT 31 DEC 2022

Membership	965,548 (95% from the formal sector)
Active employers	34,496
Pensioners on payroll	22,580
Total benefits paid in 2022	K1 Billion
Pensions	K596.3 Million
Lumpsums	K499.9 Million
Minimum pension	K1,224
Maximum pension	K7,201
Highest uplift	K1,055
Asset portfolio	K65 billion
An average TAT	8 days



# NAPSA REFORMS

# NOTABLE NAPSA REFORMS

- ❑ NPS (Amendment) Act No.7 of 2015 which revised upwards the pensionable age to 60 years from 55 years.
- ❑ The Introduction of the Extension of Coverage to the Informal Sector.
- ❑ NPS (Amendment) Act No. 20 of 2022 which provided for:
  - Reduction of penalty rate to 10 percent from 20 percent;
  - Waiver of penalty on late payment of contribution; and
  - Permitting of members of ZNPF to claim their benefits before reaching age of 50.
- ❑ NPS (Amendment) Act No. 1 of 2023 which introduced the pre-retirement lump sum benefit (**famously known as “Partial”**).





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# CONSEQUENCES OF THE REFORMS

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## 1. Extended Retirement Age

- ✓ Longer working lives;
- ✓ intricate mix of generations in employee profile (analog vs digital);
- ✓ demotivation for younger employees,
- ✓ succession planning

**2. Informal Sector Scheme** – formalization of employer-employee relations, litigation issues, loyalty to employers to ensure access to benefits.

**3. Penalty reduction and waivers** – opportunities to reduce administration costs, increase productivity and create jobs and wealth

**4. ZNPF Closure** – cost optimization

**5. Pre-retirement Lumpsum Benefit** – Access to lumpsum payment before retirement



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# IMPACT OF REFORMS ON HRM

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## 1. Unprecedented interest in NAPSA

- ✓ 192, 528 members updated their records with NAPSA
- ✓ 150,508 Members paid; ZMK 4.4 bn

## 2. Way forward - Strategic Partnership: NAPSA and Employers

- HR Function - Lead role in creating strategic partnership with NAPSA.
- Need for perception shift by practitioners
  - ✓ NAPSA - not a Tax but means for caring for rewarding and caring for employees for life (*till death do you part*)
  - ✓ Employer handling of NAPSA contributions, is now a competitive advantage factor – *employer of choice*



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# **ROLE OF HRM IN STRATEGIC PARTNERSHIP**

# EDUCATION OF EMPLOYEES

**Demand for information has increased due to Partial, therefore need to emphasize new realities:**

- ✓ On value of NAPSA Account - *Savings account not tax (include it on your list of savings accounts)*
- ✓ Financial literacy – should this be left to banks?



# REGISTRATION OF EMPLOYEES

**Registration –with increased interest (partial), not task for NAPSA alone but key value offering for HR functions:**

- ✓ Ensuring employee details are accurate from recruitment to retirement
- ✓ Beneficiaries are updated
- ✓ Separations are reported timely – *Employment History nightmares exposed by Partial Withdrawal*



# COMPLIANCE

**Compliance – this is the real act of realizing your intentions to care for your employees for life**

**A. Pay their Contributions on time all the time**

- ✓ Total Employers - 58, 708 (*2.8 million members*)
- ✓ Active - 35,932
- ✓ Compliance < 43percent - Tragic!!!!

**B. Reducing Costs on Business**

- ✓ Timely payment not only assists secure employee futures, but also reduced operational costs – avoid penalties.







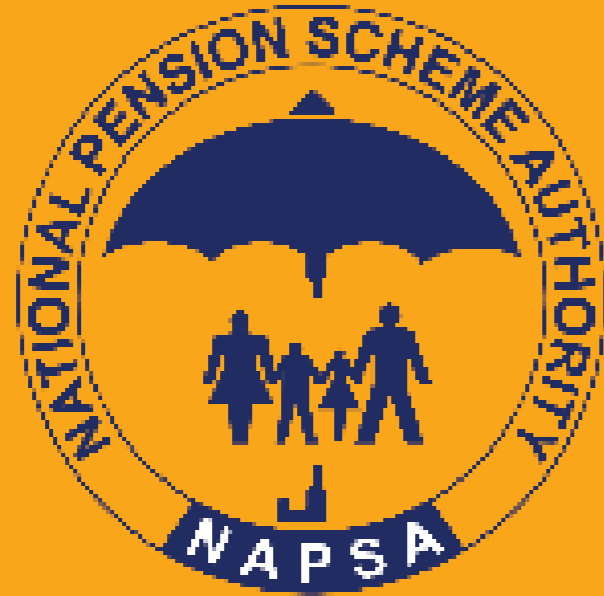
# FEATURES OF NAPSA IN THE STRATEGIC PARTNERSHIP

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## Need for a New NAPSA

- ✓ Engaged staff in enabling environment
- ✓ Innovative
- ✓ Accountable and transparent
- ✓ Supportive and collaborative relationship with employers
- ✓ Proactive rather than reactive engagement
- ✓ Better investment outcomes
- ✓ Uptodate information available to members
- ✓ Prompt payments of benefits – *46,273 claims paid in day of claim*





**THANK  
YOU**