



**ANNUAL REPORT**

**2022**



## VISION

Providing an excellent memorable retirement service experience



## MISSION

To provide a portfolio of security services to members in a sustainable, progressive and ethical manner



## VALUES

- ▶ Innovation
- ▶ Buntfu
- ▶ Transparency
- ▶ Excellence

# CONTENTS



The Minister Responsible	1
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Chairman's Statement	2
----------------------	---

Board of Trustees	5
-------------------	---

Executive Management	6
----------------------	---



Corporate Governance and Risk Management Statement	7 - 8
--	-------



Operations Report	9 - 31
-------------------	--------



Annual Financial Statements	32 - 74
-----------------------------	---------



# THE MINISTER RESPONSIBLE



**Minister for Public Service**  
**Honourable Mabulala Maseko**

# CHAIRMAN'S STATEMENT



**Sammy Dlamini**  
Chairman



“...the positive growth trajectory of the Fund has come as a result of various interventions that have been implemented on the operational processes of the organization. The most significant change has been in the investment strategy where calculated adjustments on asset class allocations and on investment thresholds were introduced with a view to hedging risk while optimising returns.”

It gives me pleasure to once more present the Public Service Pensions Fund's Annual Report for the period 2021/22. This I do on behalf of the Board of Trustees, Management and staff of the Fund who have all put great effort and dedication to the organization's growth and to ensuring its effectiveness and meaningful contribution to peoples livelihoods within the country.

The reporting year has not been without challenges, but I am delighted to declare that the Fund has ably repositioned its operations and strategies to eventually emerge with an overall positive performance. This outcome has been achieved amidst a relatively flat level of total contributions received and similar investment income figures when compared to the previous year. Gross income was also significantly subdued at 63% of the levels recorded last year owing to the marked drop by two thirds in revaluation gains. This however is an intrinsic feature of the financial markets which tend to correct themselves after experiencing a major rally such as happened in the preceding year. Total Fund expenses on the other hand, mainly driven by benefits awarded to members recorded a marginal 5% increase.

Notwithstanding the foregoing developments, I am however happy to report that the bottom line of our financial statements has remained a healthy one posting a positive overall surplus of

E2.7 billion. Though not exactly matching the high figures achieved last year, the surplus made is still significant and sizeable for us given the volatile overall trading conditions we have witnessed the world over and of which we are not immune. In the same vein, I can pleasantly report that the net assets have to date appreciated to an all time high of E30.3 billion with a corresponding real rate of return of 6%, a significant achievement once more for the Fund. This growth in the net asset value has led to a corresponding increase in the funding level to reach the 80.2% mark. This good progression in the funding level points to a much welcome improvement in the health and stability of the Fund.

I must say that the positive growth trajectory of the Fund has come as a result of various interventions that have been implemented on the operational processes of the organization. The most significant change has been in the investment strategy where calculated adjustments on asset class allocations and on investment thresholds were introduced with a view to hedging risk while optimising returns. This change has to our delight yielded the benefit that was envisaged and seen our investment vehicles deliver the higher returns achieved.

Another positive development for us has been the observed growth of the total investments made in the local (Eswatini) landscape reaching a total of E12.4 billion (41%) of the

# CHAIRMAN'S STATEMENT - continued

total assets. Through this asset base, the Fund has this year realised a healthy combined income of E744 million from the local markets. One can now confidently submit that the local market has gradually matured to be able to sustain large investments such as the ones undertaken by PSPF.

On another note, as we come out of the debilitating Covid-19 pandemic, the local unrest situation and now faced with the raging global conflict in Europe, most businesses profitability have in one form or the other been adversely impacted. For those Eswatini businesses which were in distress and where PSPF is invested, the Fund has attempted to provide some relief to try and save them and in turn prevent loss of employment. This was done through various interventions such as reviewing their loan and contract terms to absorb the pressures. We are pleased to report that such a humanitarian gesture has greatly helped stabilise a lot of the affected businesses and ensured continuity for the benefit of the workforce.

I would also like to acknowledge all the stakeholder groupings who have over the year availed themselves in engagements and debates about the future of their Fund, and to even suggest ways to structure the service offering and benefits accruing. All these inputs have been taken into account by the Fund when crafting policies and strategies that will propel the operations forward for mutual benefit.

Finally, my thanks go to the Honourable Minister of Public Service, Hon. Mabulala Maseko, for the interest and effort he has expended on the business of the Fund since he assumed office. Appreciation is also extended to my colleagues, the Board of Trustees who have offered their service to steer this ship so well through their term of office since 2019. The guidance and direction they have given over the years towards forging a positive growth path for the organisation has truly been invaluable.

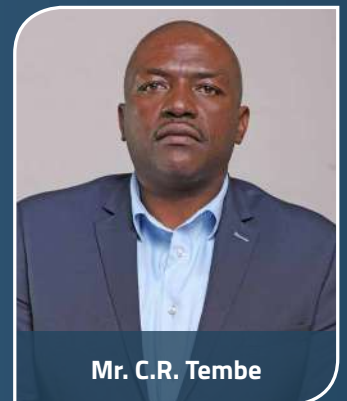
I in turn also wish to commend our Investment Committee for all the expert advice they have given to the Board on viable investment options to decide on.

The same goes to the Management and Staff for their day to day duties executing the various operational tasks of the Fund hence moving it to the levels we have reached today while offering quality service to members. I wish everyone a successful and productive year ahead with even greater achievements for this their great organisation.

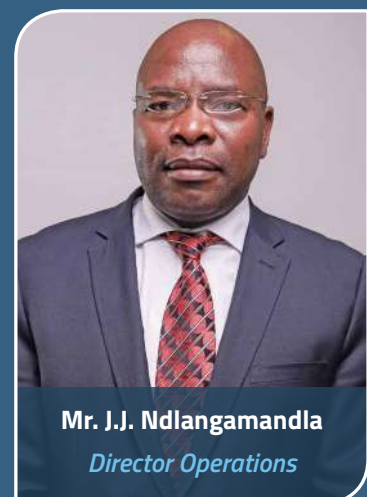
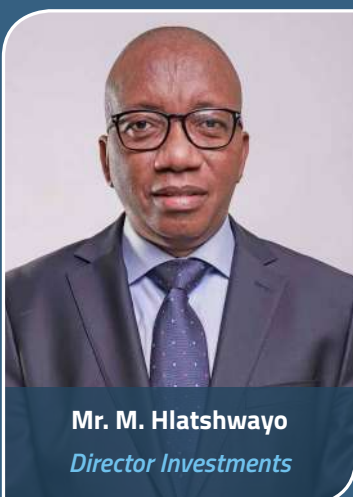


Chairman

## BOARD OF TRUSTEES



# EXECUTIVE MANAGEMENT





## Corporate Governance and Risk Management Statement

The Board is established in terms of the Retirement Funds Act, 2005 and is appointed for a three-year period renewable. It consists of 10 Trustees, led by an elected Chairperson, five of which represent the employer and the other five are member representatives nominated from various constituents.

The Board was inaugurated on 1 June 2019 by the Minister of Public Service and its term of office ended on 31 May 2022.

The Fund through its Board is accountable to the Government of the Kingdom of Eswatini represented by the Minister of Public Service. The Minister holds the Board of Trustees accountable for operations and management of the Fund.

The Board's role is to ensure that it directs its efforts collectively towards the Fund's affairs in meeting the expectations of all relevant stakeholders.

The key functions of the Board are to:

- ➔ supervise the operations and management of the Fund;
- ➔ oversee the financing and financial position of the Fund;
- ➔ decide upon the investments in the assets of the Fund by acting on the advice of the Investment Committee; and
- ➔ decide on any matter from time to time referred to it by the Minister.

The Board, supported by the Chief Executive Officer and the Executive Management team, formulate a three (3) year strategy plan and ensure that all business units are adept at meeting the strategic targets set by the Board. The plan is reviewed and updated regularly.

There is full separation of the roles of Chairman and Chief Executive Officer. The Chief Executive Officer serves as Secretary to the Board and is accountable to the Board for all authority delegated to Executive Management.

The Fund adheres to an approved Schedule of Delegated Authority, which is a document that outlines who is authorised or delegated the authority to approve what, at what level, and to what limit to avoid any confusion about responsibility.

## GOVERNING PRINCIPLES

The Fund aligns with the King IV Code of conduct voluntarily as good governance principles. The Board does not view governance as a tick box to compliance but as a pinnacle guide to ensuring it delivers in terms of the policies, structures and procedures established by the Fund.

The Board endeavours to ensure the Fund, is seen as, and is, a responsible corporate citizen. The Fund has a formal Ethics Policy and Code of Conduct which is a guide to help employees and the Board live up to Fund's values, abide by the policies and respect the best interests of the Fund's stakeholders.

The Board is governed by a Charter which specifies its general governance of the Fund and ensures compliance with policies and procedures. The terms of reference allow for the appointment of specialists to augment the skills and expertise of the Trustees. The Charter is reviewed regularly to ensure it complies with best practices in corporate governance.

## RISK MANAGEMENT

The Fund has in place a Risk Management Policy and Plan which is further supported by the Business Continuity Policy and Plan. Risk management is an integral part of the Fund's governance framework and its strategic and operational risks are updated regularly to ensure potential risks are mitigated timely.

The Fund continues to assess the Covid-19 pandemic situation closely, remaining vigilant and adhering to the World Health Organisation and the Ministry of Health standards.

## BOARD TRAINING

Newly appointed Trustees receive induction training within three months of their appointment and focus on governance issues, benefits and rules, investment policies, budgets, financial statements, actuarial valuations and other sources of important information.

## BOARD COMMITTEES

The Board is supported by four sub-Committees to effect its strategic direction. All the Committees have formal terms of reference that clearly detail the mandate and duties of each Committee.

# INVESTMENT COMMITTEE



**Mr. P.E. Ginindza**  
*Chairman*



**Mr. Z.R. Magagula**



**Mr. M.V. Ntshangase**



**Mr. S.Z. Simelane**



**Mr. S.S. Dlamini**

Each of the Committees comprise a mix of four Trustees who deliberate on matters assigned per their respective terms of reference. After each meeting reports are prepared for the Board's consideration with recommendations for Board approval.

The Committees are as follows:

- ➔ Finance and Audit Committee;
- ➔ Benefits Committee;
- ➔ Human Resources and Administration Committee; and
- ➔ Projects Committee.

## Investment Committee

The Investment Committee is a statutory Committee appointed by the Minister of Public Service for a period of three (3) years renewable to consider and review all aspects of the Fund's investment activities and to advise and make recommendations to the Board relating to the Management of Fund assets and any recommended changes thereto, Investment Policies, Strategy, Procedures and other similar issues.

The Committee comprises five (5) members who make recommendations to the Board. The Committee members are the Chairman of the Board and four other persons appointed by the Minister in consultation with the Board.



# OPERATIONS REPORT

## Financial Highlights

	2018 Em	2019 Em	2020 Em	2021 Em	2022 Em
<b>INCOME</b>					
Contributions	1 142	1 189	1 187	1 202	1 276
Investment income	2 469	1 444	2 413	1 787	1 766
<b>Total</b>	<b>3 611</b>	<b>2 633</b>	<b>3 600</b>	<b>2 989</b>	<b>3 042</b>
Revaluation Gains/(Losses)	(1 201)	427	(3 245)	3 996	1 366
<b>Gross Income</b>	<b>2 410</b>	<b>3 060</b>	<b>355</b>	<b>6 985</b>	<b>4 408</b>
<b>EXPENSES</b>					
Benefits awarded	1 039	1 176	1 237	1 325	1 361
Administration expenses	113	121	128	116	146
Investment Fees	97	92	102	107	126
Regulatory Fees	26	27	20	42	36
<b>Total</b>	<b>1 275</b>	<b>1 416</b>	<b>1 487</b>	<b>1 590</b>	<b>1 669</b>
Surplus/(Deficit)	1 135	1 644	(1 132)	5 395	2 739
<b>FINANCIAL POSITION</b>					
Property, plant, and equipment	45	43	43	41	41
Foreign assets <sup>N2</sup>	12 974	13 028	11 140	15 924	18 099
Domestic assets <sup>N3</sup>	8 699	10 383	11 145	11 814	12 386
Accumulated funds	(21 649)	(23 293)	(22 160)	(27 556)	(30 294)
Liabilities	(69)	(161)	(168)	(223)	(232)
<b>CASHFLOWS</b>					
Cash from operations	2 328	1 139	2 115	1 559	1 304
(Decrease)/increase in cash and equivalents	(24)	95	(910)	(275)	165
Opening cash position	1 659	1 635	1 730	820	545
<b>Closing cash position</b>	<b>1 635</b>	<b>1730</b>	<b>820</b>	<b>545</b>	<b>710</b>
<b>FINANCIAL RATIOS</b>					
	%	%	%	%	%
Member benefits/contributions	91	98	104	111	107
Admin expenses/ contributions	21	20	11	22	11
Admin expenses/total expense	19	16	9	17	9
Return on investments	5	7	(3)	25	10
Inflation	4	5	3	4	4
Real rate of return	1	2	(6)	21	6

N2 – This is the portfolio invested outside the country.

N3 – This is made up of the domestic investment portfolio and current assets.

## Key Statistics

		2018	2019	2020	2021	2022
1	Revenue (Em)	3 611	2 633	3 600	2 989	3 042
2	Benefits Awarded (Em)	1 039	1 176	1 237	1 325	1 361
3	Normal Gratuity members paid (numbers)	768	829	777	710	551
4	Death Gratuity (numbers)	228	229	181	281	233
5	Benefits withdrawal (numbers)	84	178	148	56	81
6	Contract Gratuity members (numbers)	60	76	71	66	44
7	Temporary member withdrawal	4	24	2	5	-
8	Funeral Benefit members (numbers)	500	486	478	791	661
9	Number of Pensioners paid	24 961	25 125	25 253	25 004	25 989
10	Average age (Years)	41.1	41.3	41.8	41.3	42.9
11	Average service (Years)	14.3	14.5	14.9	14.4	15.9
12	Average annual salary	133 235	137 143	138 709	144 668	145 415
13	Retirees	8 488	9 075	9 576	9 832	10 168
14	Spouses on pension	6 262	6 500	6 620	6 871	7 204
15	Children on pension	10 211	9 550	9 057	8 301	8 617
16	Suspended pensioners	1 275	1 172	892	558	374
17	Pensionable officers	43 076	42 979	42 130	41 323	40 594
18	Funding Level (%)	66.6	78.4	68.9	73.0	80.2
19	Net Asset Value (Em)	21 649	23 393	22 161	27 556	30 294

## Performance Analysis for the year

### Net Surplus and Net Assets

The Fund achieved exceptional performance with a Net Surplus of E2.7 billion recorded in the financial year ended 31 March 2022 compared to a Net Surplus of E5.4 billion in the financial year ended 31 March 2021. This resulted in an increase in Net Asset Value of the Fund from E27.5 billion to 30.3 billion. The main drivers being the out performance of the listed equities in the foreign portfolio of South African equities which recorded revaluation gains of E1.1 billion as recognised through profit or loss. This translates to a growth in net asset value of 10 percent. The domestic portfolio assets also grew by E573 million while the domestic portfolio had a revaluation gain of E161 million as recognised through profit or loss.

### Strategic Asset Allocation

The Fund's Investment strategy has a target to invest 30 percent of the assets in the foreign portfolio (South Africa), 20 percent in off-shore equities and the other 50 percent in the domestic portfolio (Eswatini).



#### **a) *South Africa Equities Only Mandate***

41 percent of the portfolio is invested in South African listed equities only and there are seven (7) investment managers appointed for this investment mandate. These are Allan Gray, Sanlam Investment Management, Aluwani Capital Partners, Stanlib Asset Management Limited, Old Mutual Investment Group, African Alliance and Balondolozzi Investment Group. These are experienced investment managers who have consistently outperformed in the period under review and are on the Alexander Forbes Investment Manager Watch. These investment managers delivered a combined average return of 20.5 percent gross of fees against a benchmark of 20.4 percent in the period under review.

Investment Income under this portfolio is mainly interest, dividends and realised profits. Other income on this portfolio is Revaluation Gains on adjustment of market value of investments. The Revaluation Gains accounted for E1.1 billion in the period under review.

#### **b) *Off-shore Equities only Mandate***

The other 19 percent off-shore portfolio is managed by two appointed investment managers namely, Stanlib Global and Alexander Forbes Jersey. These are also experienced investment managers who have consistently outperformed in the period under review. However, due to the strict lockdown laws in China, the Russia-Ukraine conflict and the high inflation rate, the two investment managers delivered a combined average return of 2.9 percent gross of fees against a benchmark of 6.6 percent in period under review. This resulted in an underperformance of 3.7 percent.

Income under this portfolio is mainly Revaluation Gains on adjustment of market value of investments. The Revaluation Gains on this portfolio accounted for E161 million in the period under review.

#### **c) *Performance Appraisal***

Our strategy is to hedge against concentration risk by ensuring that all investment managers are within the set threshold of 15 percent of the total foreign portfolio. Each investment manager is restricted to invest not more than 10 percent per asset counter. For performance appraisal purposes each manager should invest with a target of outperforming the FTSE or JSE Capped SWIX benchmark by 2 percent over any rolling 5 year period net of fees. We are confident of the future performance outlook with the combination of these investment managers.

#### **d) *Domestic portfolio***

The market value of this portfolio was E12.4 billion as at 31 March 2022. This portfolio is divided into two. There is the portfolio under segregated mandates and the other directly managed by the Fund. This approach has enabled the Fund to properly diversify the portfolio into all sectors of the economy. This portfolio delivered a total investment income of E744 million against E730 million in the previous year ended 31 March 2021. This translates to an increase of E14 million.

## *i) Domestic Segregated Mandates Portfolio*

Under the segregated mandates, the existing investment managers have been retained namely, Inhlonhla Proprietary Limited, Stanlib Asset Management Eswatini, Old Mutual Eswatini, Sanlam Eswatini and African Alliance. These asset managers were appointed on a discretionary mandate with the exception of not investing in government bonds on behalf of the Fund, a preserve of the Own Portfolio. These investments collectively had a market value of E5.9 billion against E5.4 billion as at 31 March 2021 representing 48 percent of the domestic portfolio and 19 percent of the total portfolio.

Investment managers continued to draw down funds from the Fund for new investment instruments in the period under review delivering a combined average return of 6 percent gross of fees.

## *ii) Own Portfolio (Direct Investments by the Fund)*

The Own Portfolio comprising direct investments from within participated in government bonds, equities and corporate bonds. This portfolio had a market value of E6.5 billion against E6.3 billion as at 31 March 2021. This portfolio consisted of 52 percent of the domestic portfolio against 55 percent of domestic portfolio as at 31 March 2021. This represents 21 percent of total portfolio against 23 percent of total portfolio as at 31 March 2021.

The Fund delivered total investment income of 7.5 percent against 7.6 percent for the year ended 31 March 2021 under this portfolio. This translates to a decrease of 0.1 percent. The main drivers being interest on loans of E659 million against E677 million in 2021, dividends of E85 million against E53 million in 2021 and rental income of E33 million against E31 million in 2021.

## *COVID-19 Effects*

The COVID-19 pandemic has impacted the asset growth of the Fund. To mitigate the effects of the pandemic, we extended relief to our clients who were impacted by the pandemic. These facilities are ring-fenced and their performance is closely monitored. A business continuity plan has been put in place to ensure that business operations can continue uninterrupted. The Fund has implemented preventative measures across the business to ensure the safety of our staff and clients. Management continues to monitor and evaluate the COVID-19 response strategies in place and adjusts them in line with the ever-changing environment. Based on this, the Board of Trustees are of the view that the business will continue to operate as a going concern.

In a nutshell, the financial year remained volatile but the economy was trying to stabilise in almost all sectors in Eswatini. However, it is pleasing to note that Government, as the employer, continued to remit pension contributions in accordance with the Pensions Order, 1993.

## *Pension Contributions*

The other significant revenue contribution was from pension contributions which amounted to E1, 276 billion against E1, 202 billion in 2021.

## *Cashflows*

The Fund remained liquid as it met all its financial obligations as they fell due including timely release of funds for investment projects. The Fund invested in government bonds, private sector Corporate bonds and loans for Government agencies which amounted to E888 million.



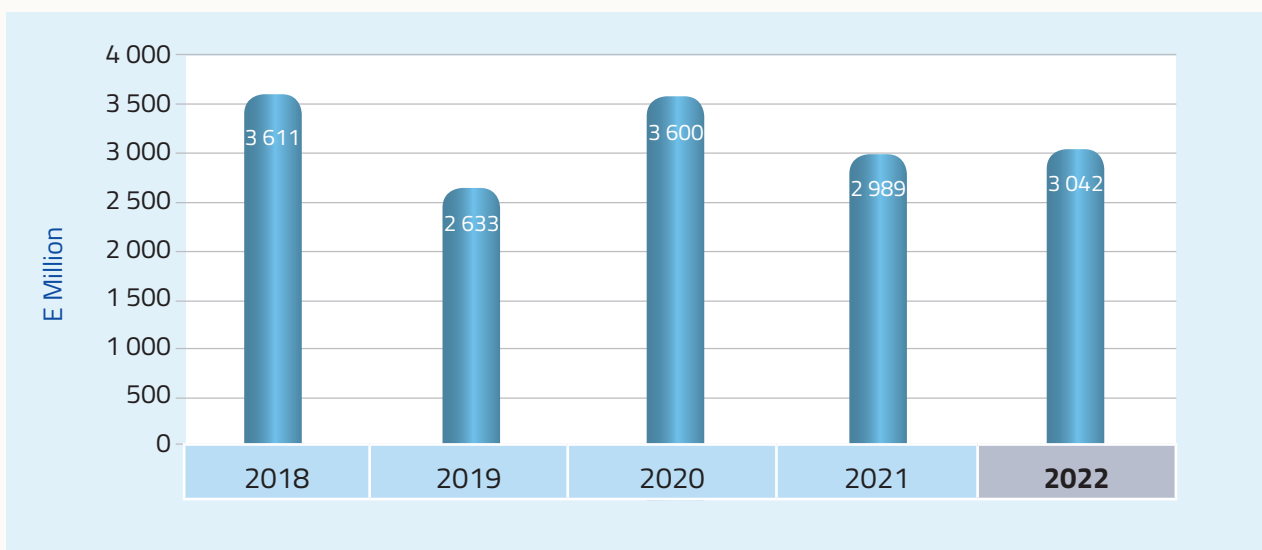
### Benefits Awarded

The Fund paid out a total of E1.4 billion in benefits to members in the period under review. These were in the form of gratuities, retirement annuities, death benefits, membership withdrawals, contracted employee benefits and funeral cover expenses.

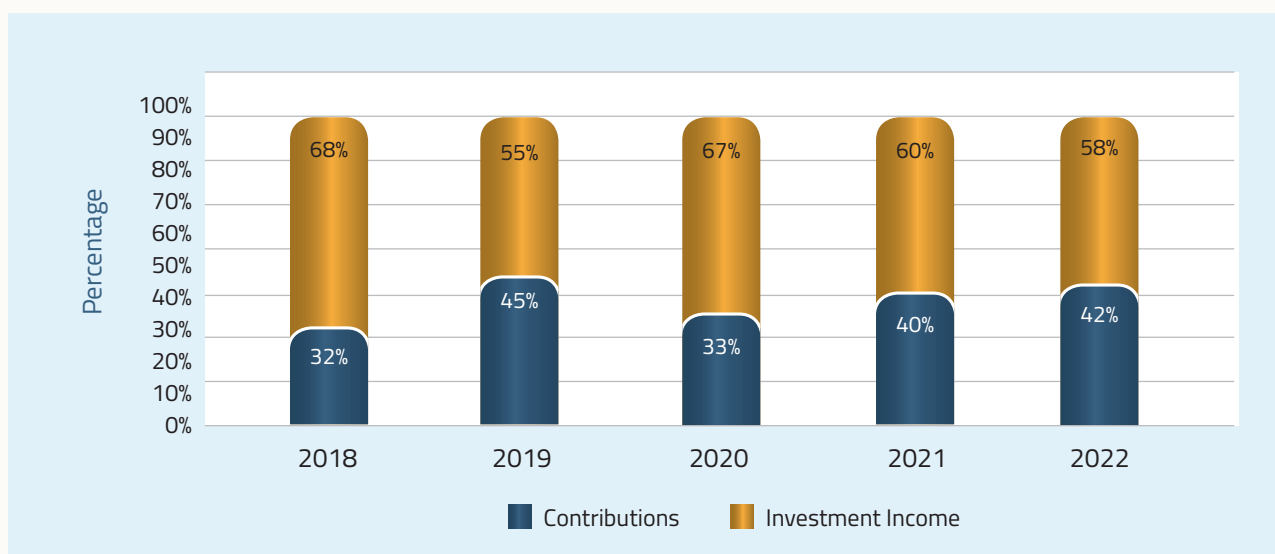
### Performance trend analysis

Performance indicators are normally assessed over a five-year period, or in other instances two years to show growth year-on-year.

## Total Revenue



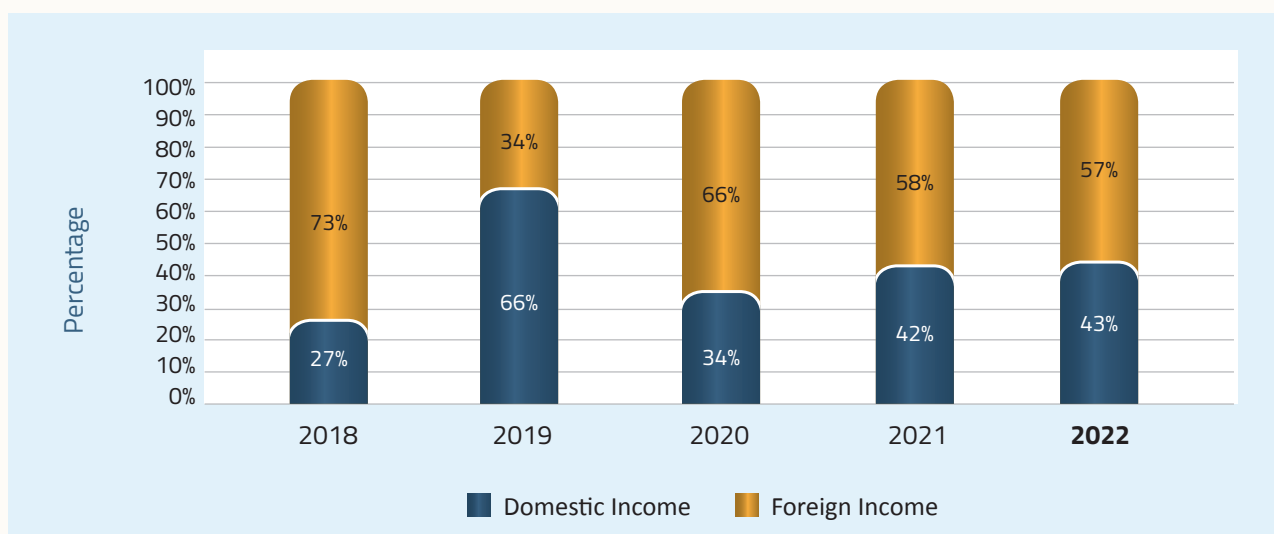
## Revenue: Contributions vs Investment Income



## Overall Investment Income Composition

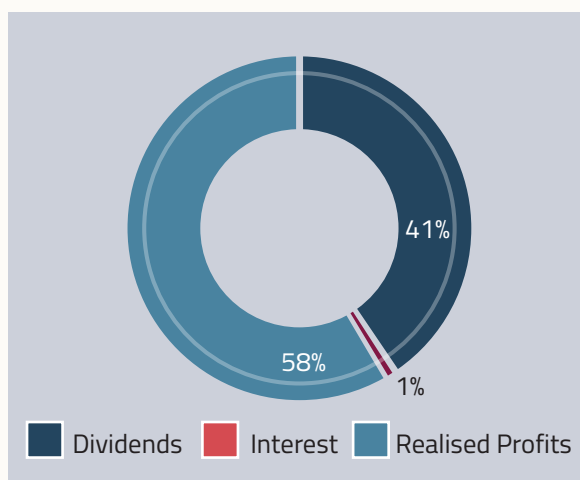
	2018	2019	2020	2021	2022
Dividends	10%	6%	6%	7%	11%
Interest Income	85%	90%	91%	89%	85%
Rental	5%	4%	3%	4%	4%

## Domestic Income vs Foreign Income

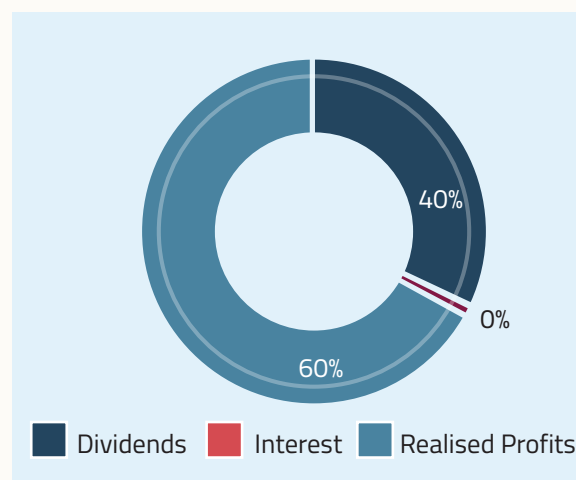


## Foreign Income Composition

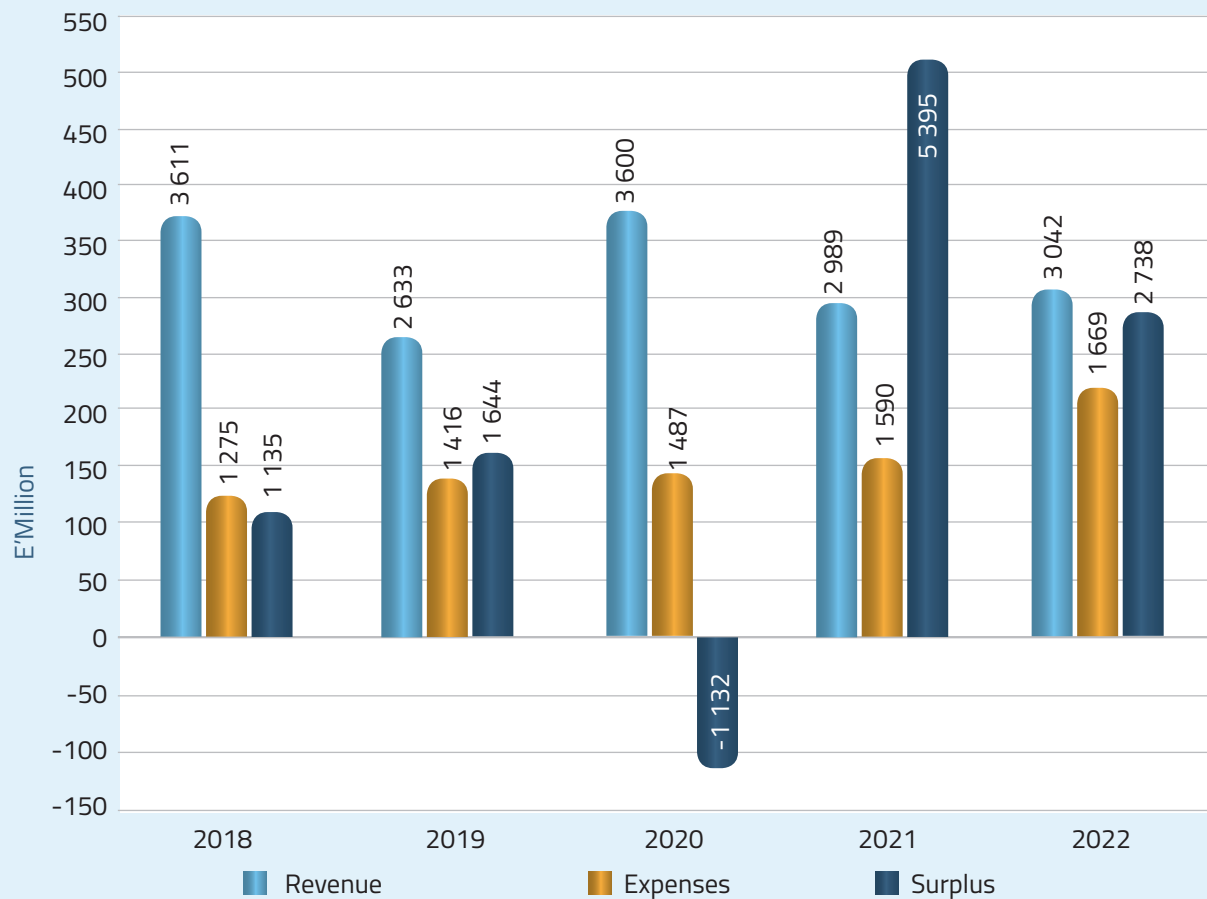
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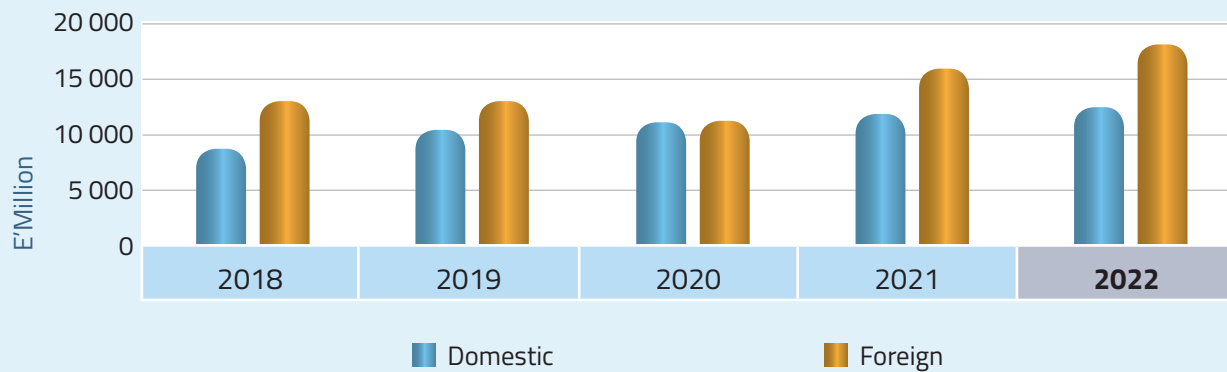
2022



## Revenue, Expenses and Surplus

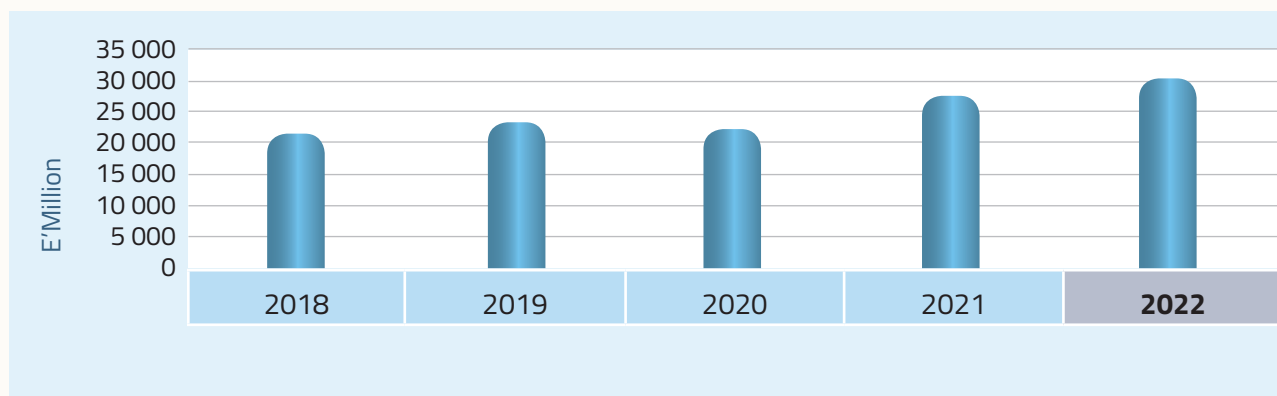


## Domestic vs Foreign Portfolio

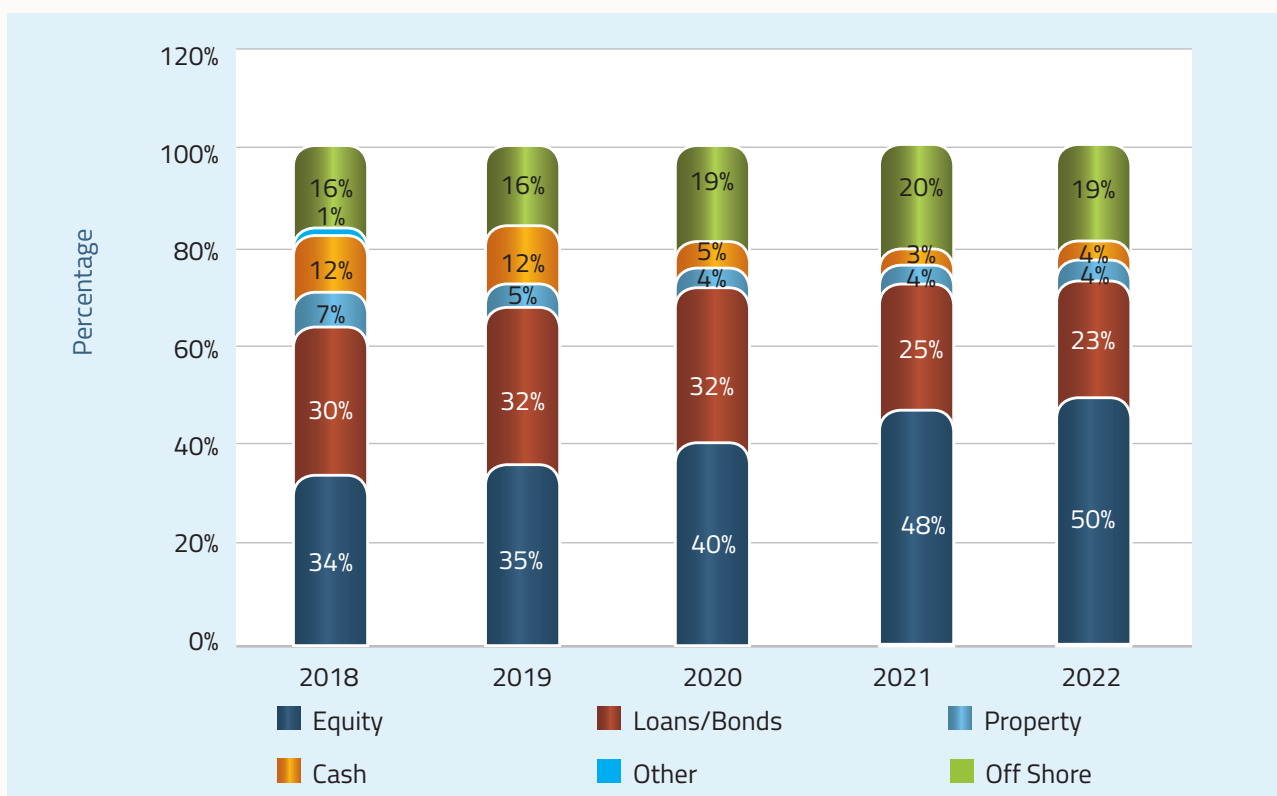




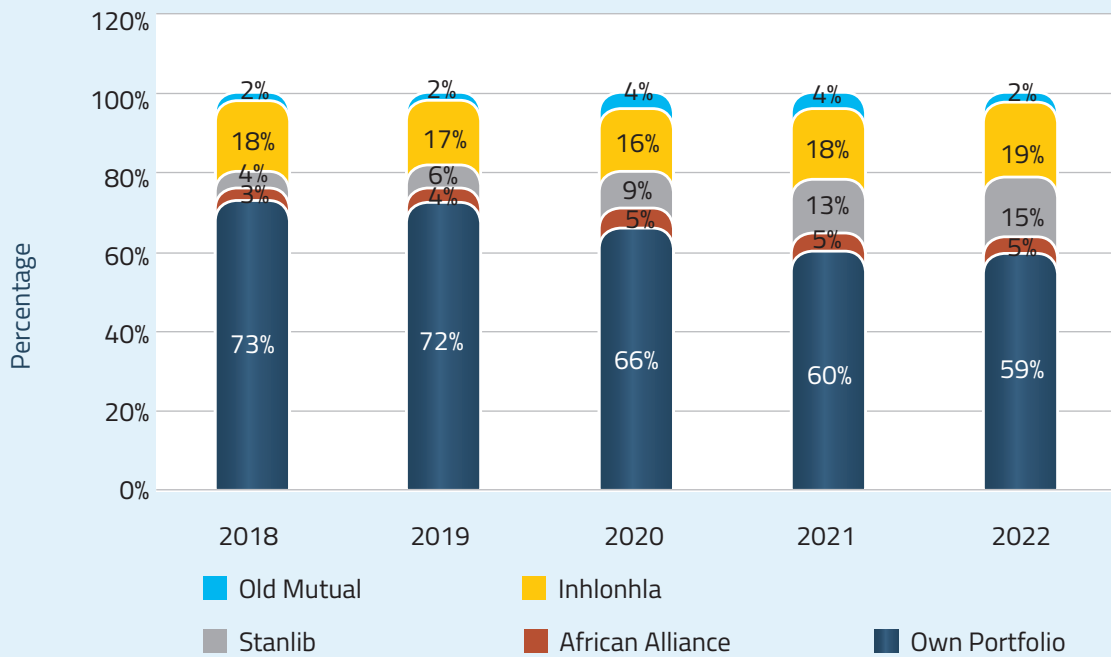
## Net Assets



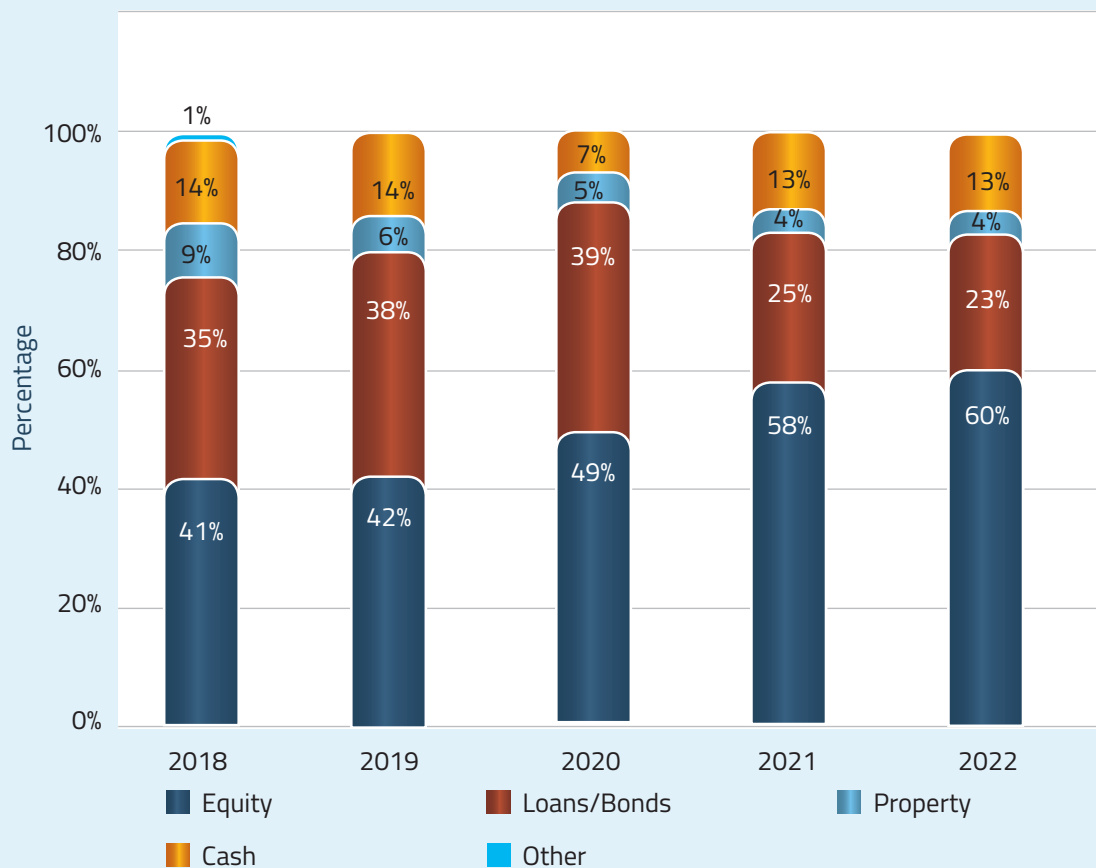
## Total Fund Asset Allocation



## Domestic Income by Investment Manager



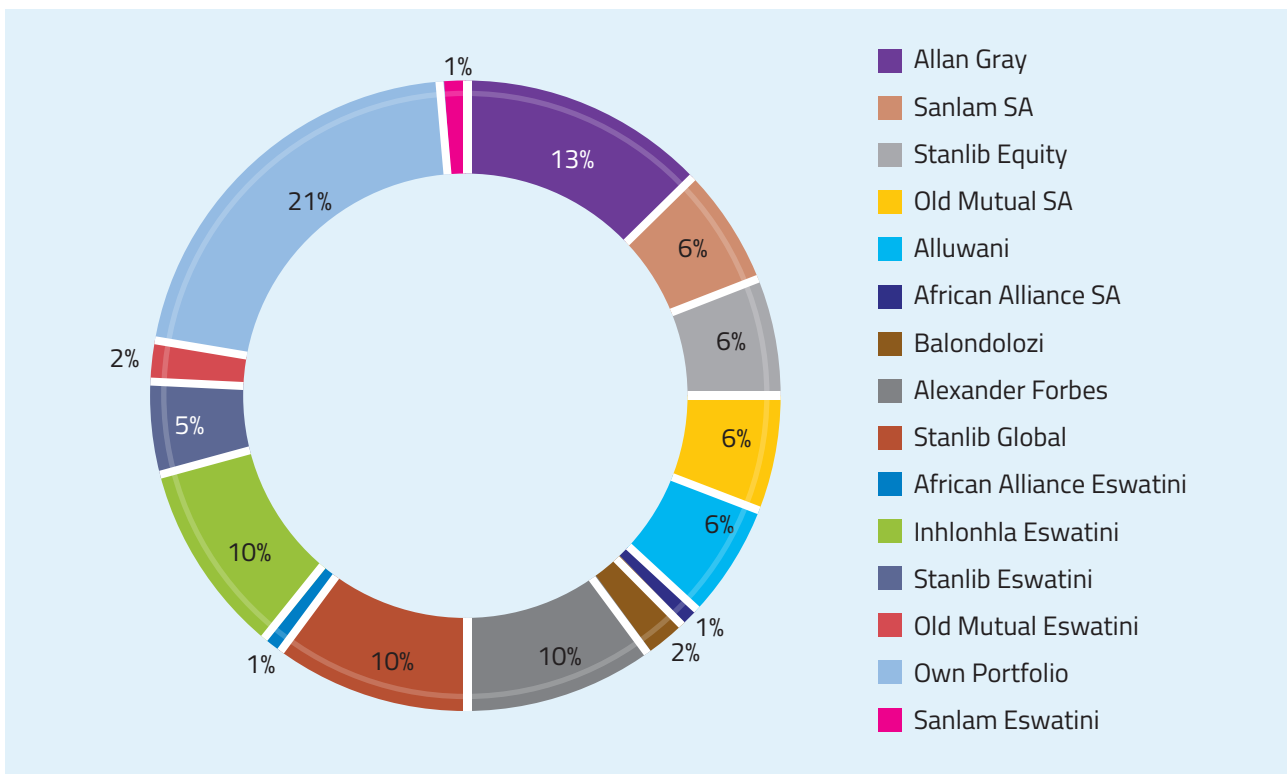
## Domestic Asset Allocation



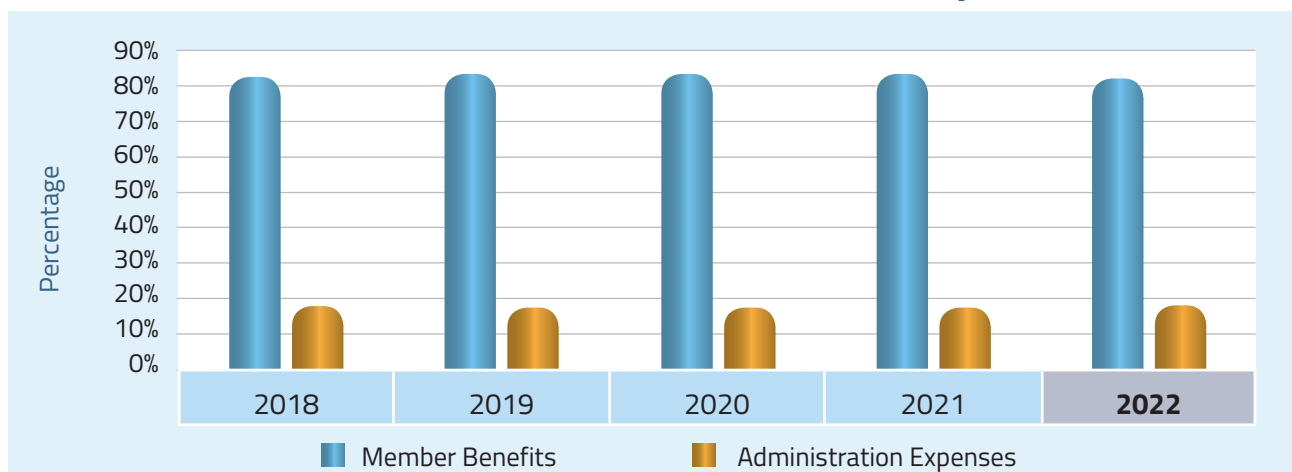
## Asset Allocation

	2018	2019	2020	2021	2022
Equity	7 364	8 234	8 780	13 121	15 123
Loans/Bonds	6 367	7 379	7 019	6 758	6 977
Property	1 567	1 185	959	1 091	1 173
Cash	2 561	2 682	1 171	820	1 045
Other	234	-	18	6	-
Off Shore	3 470	3 716	4 213	5 678	5 844
<b>Total</b>	<b>21 563</b>	<b>23 196</b>	<b>22 160</b>	<b>27 474</b>	<b>30 162</b>

## Asset Allocation by Manager

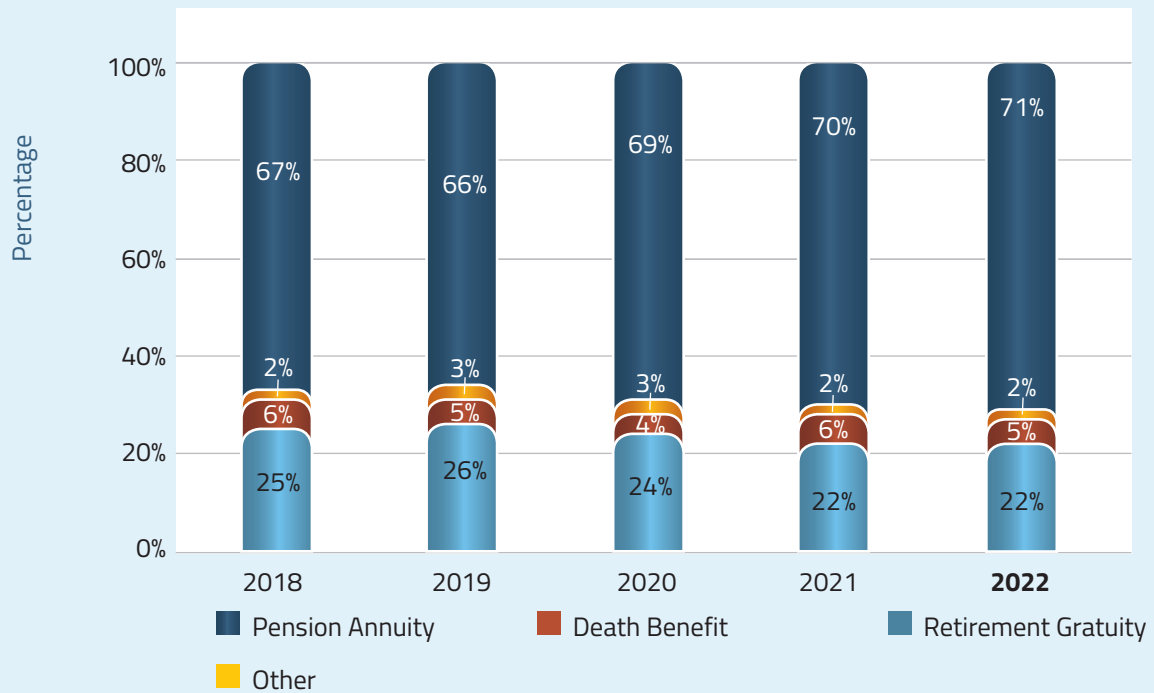


## Member Benefits and Administration Expenses





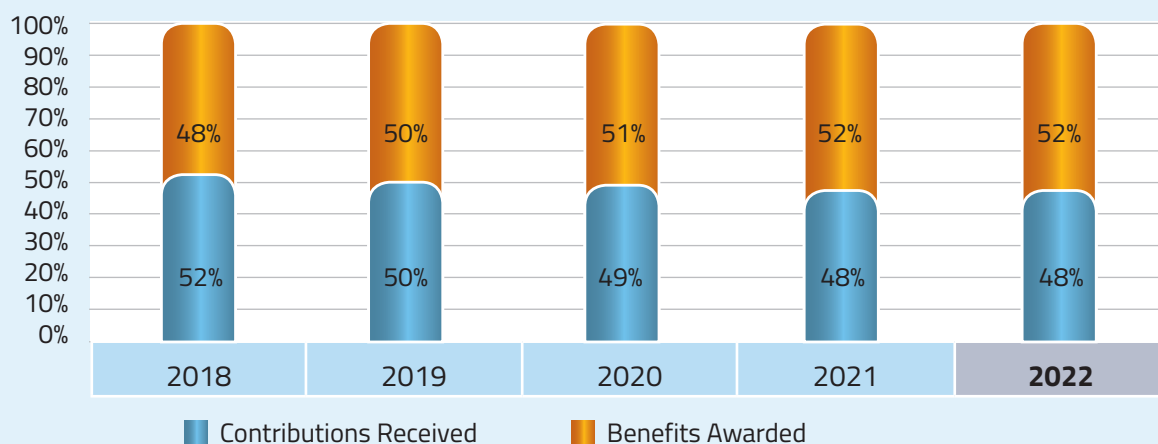
## Member Benefits Awarded



## Pensionable Officers and Pensioners



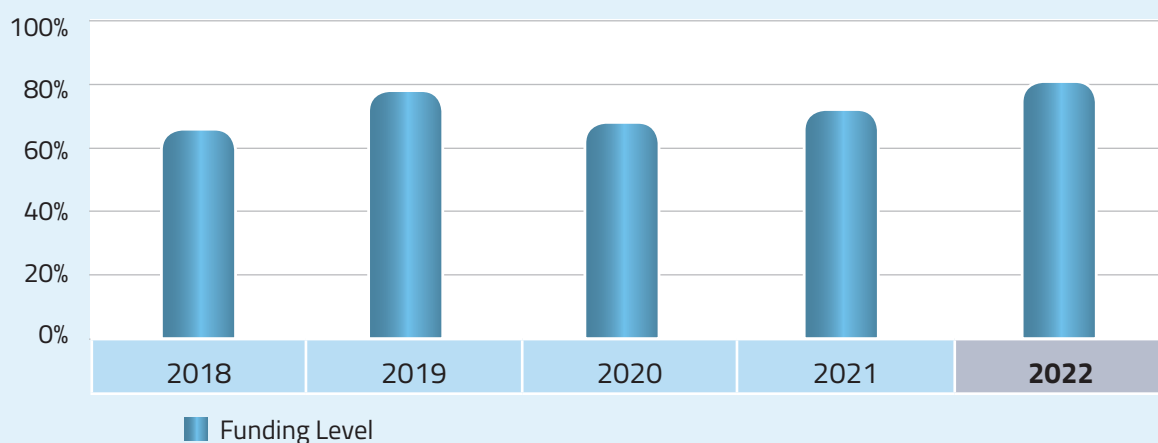
## Contributions Received & Benefits Awarded



## Funding Level over five years as a ratio

	2018	2019	2020	2021	2022
Assets	E21.6 billion	E23.3 billion	E22.2 billion	E27.4 billion	E30.3 billion
Liabilities	E32.5 billion	E29.7 billion	E32.3 billion	E37.6 billion	E37.8 billion
Deficit	E10.9 billion	E6.4 billion	E10.1 billion	E10.1 billion	E7.5 billion
<b>Funding Level</b>	<b>66.6%</b>	<b>78.4%</b>	<b>68.9%</b>	<b>73.0%</b>	<b>80.2%</b>

## Funding Level



## Investments

### Investment Strategy of the Fund

A revised strategy was implemented in the financial year 2020 and remained in place in the financial year under review wherein the external assets of the Fund were converted into a Specialist Equity Portfolio with a broad geographical asset allocation as outlined in the Table below. Equitising the external portfolios allowed the Eswatini assets to be invested mainly in fixed income instruments, property and private equity in view of the low level of market capitalisation of the Eswatini Stock Exchange.

**Broad Geographical Strategic Asset Allocation of Investments of the Fund**

	Asset	Allocation
<b>Offshore</b>	Developed and Emerging Market listed equities	20%
<b>South Africa</b>	South African Listed Equities and Property	30%
<b>Eswatini</b>	Eswatini Equities (Listed & Unlisted), Bonds, Property (Listed and Unlisted) and Cash	50%

### Actual Asset Allocation of the Fund

As at 31 March 2022, the Fund had invested 40 percent (E12.1 billion) of its total assets within the Kingdom of Eswatini and 60 percent (E18.1 billion) externally, i.e., South Africa and outside the Common Monetary Area (CMA), through external Asset Managers. Assets invested domestically are managed internally by the Fund and through domestic Asset managers.

### Global Market Performance Impact on Fund's Assets

The Rand appreciated by 1.0 percent against the US Dollar, 5.6 percent against the Pound and 6.3 percent against the Euro over the 12 months ended 31 March 2022. Global equity returns in Rands, as measured by the MSCI World Index, was 9.5 percent, for the 12 months ended March 2022. Global Bond returns in Rands, as measured by the FTSE WGBI were negative at -8.7 percent for the 12 months ended March 2022.

### South African Market Performance Impact on Fund's Assets

The FTSE/JSE All Share Index (ALSI) returned 18.6 percent over the 12 months ended 31 March 2022. The Industrials sector, as measured by the FTSE/JSE Industrial 25 Index, returned -4.7 percent, and the Financials sector, as measured by the FTSE/JSE Financial 15 Index, returned 49.7 percent over the 12 months. The Resources sector as measured by the FTSE/JSE Resource 20 Index, returned 31.7 percent over the same period.

The All-Bond Index returned 12.4 percent for the 12 months ended 31 March 2022. The 12+ year bond index was the best performing bond sector returning 17.8 percent, followed by the 7–12-year returning 10.6 percent in the 12 months ended 31 March 2022.

### Overall Fund Performance

The current global challenges emanating from the Covid-19 pandemic and its variants, rising geopolitical risks, disruption in supply chains, rising energy and commodity prices due to the raging global conflict in Europe, have negatively impacted the Fund's investment performance.



The Fund's total annual return for the year amounted to 8.6 percent which is the decline from the overall return of 24.8 percent recorded in the previous year. The decline in performance was mainly attributable to a decline in the performance of the South African and Offshore portfolios which recorded a combined annual return of 14.2 percent, compared to 45 percent recorded in the previous year.

The Eswatini portfolio that is comprised mainly of fixed income instruments and property had a steady annual return of 6.6 percent. The steady return in the domestic portfolio is in part due to the lagging impact of Covid-19 and the impact of the June 2021 civil unrest on domestic investments and that the asset allocation of this portfolio is mainly in fixed income instruments.

## **Offshore Investment Portfolio of the Fund**

Stanlib Multi Manager Global Equity and Alexander Forbes Jersey held 19 percent of the total assets as at 31 March 2022 in line with the Investment Policy of the Fund. The offshore portfolio yielded a return of 2.9 percent in the year ended 31 March 2022 against the benchmark performance of 6.6 percent.

## **South African Investment Portfolio of the Fund**

Assets invested in specialist South African Equity mandates accounted for 41 percent of total assets. This is in line with the broad geographical asset allocation outlined in the Fund's Investment Policy.

The South African Portfolio delivered a return that slightly surpassed expectations and recorded an annual return of 20.5 percent compared to 18.6 percent returned by the Johannesburg Securities Exchange FTSE/JSE Capped Swix All Share index (benchmark). This portfolio contributed significantly to the overall Fund performance of 8.6 percent for the year ended 31 March 2022. This is despite the civil unrest that occurred in July 2021 and the effects of the ongoing Covid-19 pandemic.

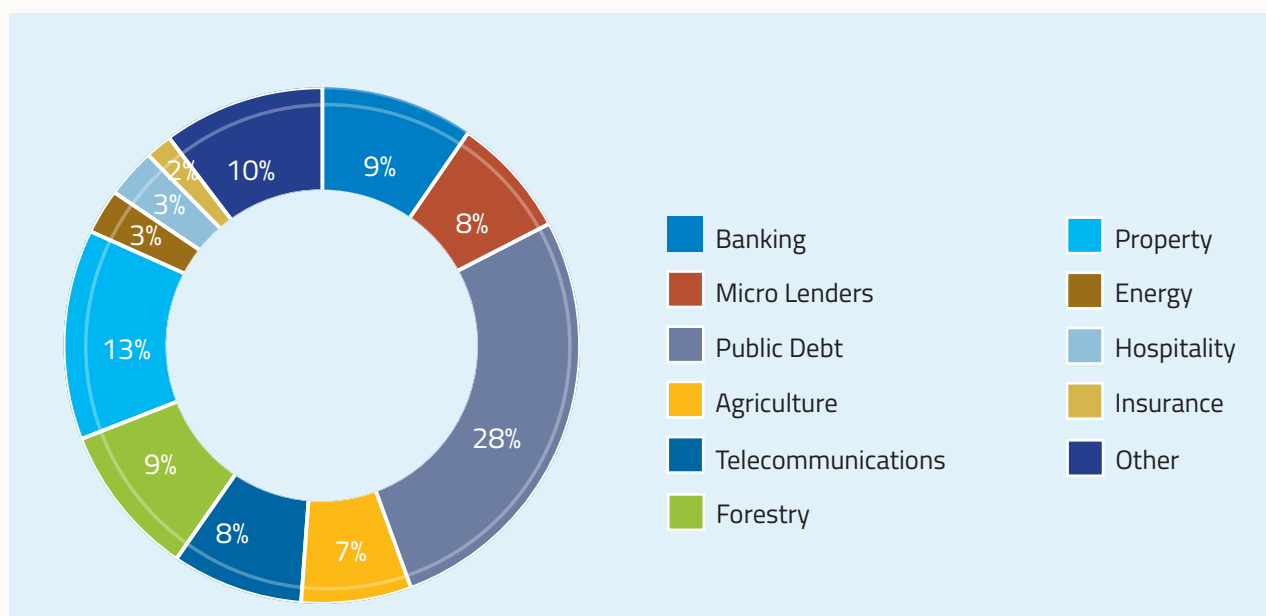
## **Eswatini Investment Portfolio of the Fund**

As at 31 March 2022, the Fund had invested 40 percent of its assets in a diversified manner within the Kingdom of Eswatini. The Fund has invested in various sectors of the economy and in several industries such as banking, telecommunications, public sector, sugar industry, forestry, hospitality, insurance, etc. This diversified strategy ensures that the Fund's investments are well balanced for risk management purposes. The chart on page 23 reflects the sectors in which the domestic portfolio is proportionately invested.

The domestic portfolio returned a steady 6.6 percent against the benchmark performance of 14.7 percent. The underperformance is attributed to the effects of the Covid-19 pandemic and the June 2021 civil unrest in which some of the investment assets were affected. The performance benchmark of the domestic portfolio is derived from the South African market indices. The disparity between the portfolio and benchmark performance reflects the bullish nature of the South African Markets in the period under review.

New investments concluded in the domestic portfolio during the financial year ended 31 March 2022 include the acquisition of Government Bonds and Promissory Notes and the issuance of loans to reputable organisations.

## Sectoral Analysis of the Domestic Portfolio



### IMF Global Economic Growth Projections

In April 2022, the International Monetary Fund (IMF) published in its world economic outlook update that the global economy, which was on its road to recovery from the impact of the Covid-19 pandemic, has worsened mainly due to the war in Ukraine which has led to the increase in energy and commodity prices as well as tightening of monetary policies by economies to curb inflation increases.

The IMF projects global economic growth to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 as well as in 2023 being lower than projected in January 2021. This is 0.8 and 0.2 percentage points lower for 2022 and 2023, respectively.

### Regional Economic Growth Projections (Sub-Saharan Africa)

The IMF forecasts that despite the upside economic recovery in sub-Saharan Africa in the second half of 2021, prompting a significant upward revision in last year's estimated growth, from 3.7 to 4.5 percent, economic activity is expected to grow by 3.8 percent in the year 2022.

The downward revision of the growth prospects is mainly as a result of the Russian-Ukrainian war which has triggered a global economic shock that is hitting the region at a time when countries' policy space to respond is minimal to non-existent. Most notably, surging oil and food prices are straining the external and fiscal balances of commodity-importing countries; and have increased food security concerns in many countries. High food prices will disproportionately harm the most vulnerable segments of the population, especially in rural areas.

Moreover, the shock threatens to compound some of the region's most pressing policy challenges, including the COVID-19 pandemic's social and economic legacy, climate change, heightened security risks in the Sahel, and the ongoing tightening of monetary policy in the United States.

The economic recovery is expected to accelerate in 2023, with growth trending at about 4 percent over the medium term. However, this pace of growth is not enough to make up for lost ground from the pandemic and renders the region's Sustainable Development Goals significantly more difficult to achieve.

## Economic Outlook for South Africa

The South African Reserve Bank (SARB) projects that the South African economy will grow by 2.0 percent in 2022, revised up from 1.7 percent at the time of the January meeting. This is due to a combination of factors, including stronger growth in 2021 and higher commodity export prices. Growth in output in the first quarter of this year is likely to be significantly stronger than expected at the time of the January meeting.

GDP growth is projected to be 1.9 percent in both 2023 and 2024. Economic growth at these rates remains well above a low rate of potential growth still constrained by loadshedding and policy uncertainty.

## Economic Outlook for Eswatini

At its March 2022 meeting, the Central Bank of Eswatini Monetary Policy Consultative Committee (MPCC) noted that Eswatini's economic activity grew by a slower 3.1 percent on a year-on-year basis (seasonally adjusted) in the third quarter of 2021, compared to a revised growth of 19.3 percent in the second quarter of 2021.

The Eswatini economy is projected to grow by 2.4 percent in 2022, underpinned by a modest recovery in all sectors. Agriculture, manufacturing, and construction are expected to lend greater impetus to recovery, while an expected strengthening of domestic demand will reignite services growth.





## Membership Overview

The Fund had a total of 40 594 active members and 26 363 retired pensioners and dependents as at 31 March 2022.

### Active Pensionable Members

The number of active members remained stable, with a slight decrease of 1.8 percent. The decrease is attributed to the Government employment freeze.

The table below summaries information for active pensionable members as of 31 March 2022.

#### Active Pensionable Members

	2022	2021
<b>Total Number of Employees</b>	40 594	41 323
<b>Average Age (years)</b>	42.9	41.3
<b>Average Service (years)</b>	15.9	14.4
<b>Annual Average Salary (E)</b>	145 415	144 668

## Pensioners Analysis

The Fund's pensioners, spouses and dependants increased over the period. However, the number of suspended pensioners decreased by 33 percent. This is due to vigorous exercises to investigate unpaid benefits.

The categories of pensioners are classified below.

#### Pensioners

	2022	2021
<b>Retirees</b>	10 168	9 832
<b>Spouse</b>	7 204	6 871
<b>Children</b>	8 617	8 301
<b>Total (Active)</b>	<b>25 989</b>	<b>25 004</b>
<b>Suspended</b>	374	558
<b>Grand Total</b>	<b>26 363</b>	<b>25 562</b>

#### Categories of Pensioners

**Retiree** – Former employees who retired in terms of the provisions of the law

**Spouses** – Wives or husbands of either deceased active member or deceased retiree

**Dependants** – Minors of either deceased active member or deceased retiree

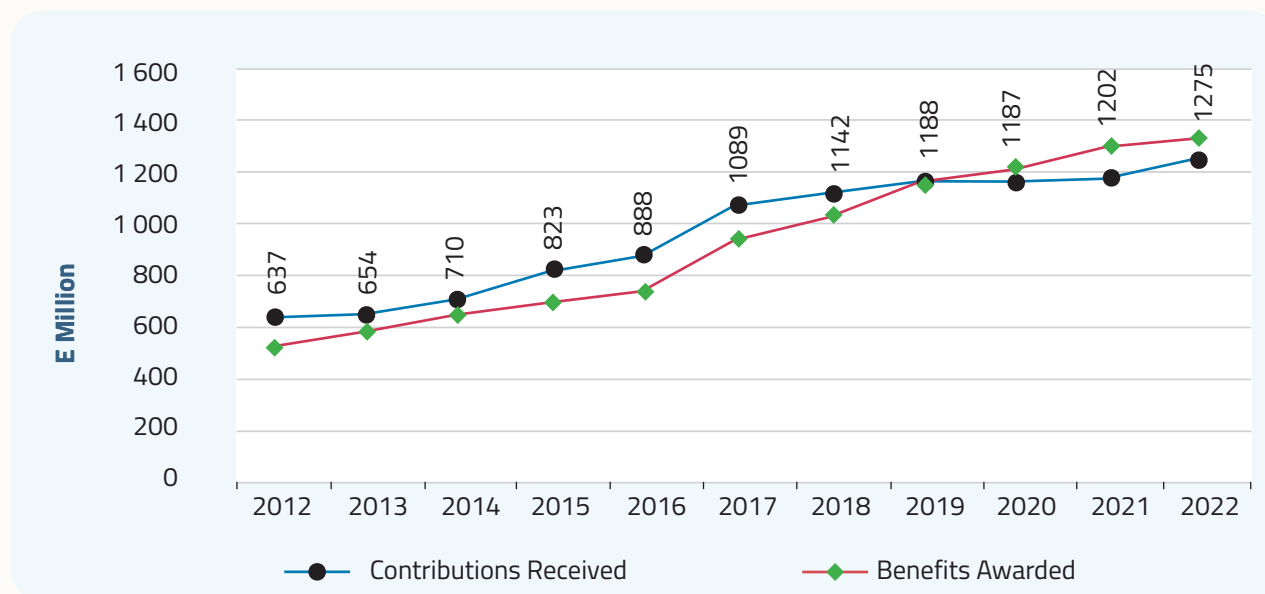
**Suspended** – Pensioners whose pension has been withheld because proof of life has not been verified

# OPERATIONS REPORT - continued

## Contributions Received and Benefits Awarded

The Fund receives 20 percent of members' pensionable salaries as contributions. The contributions received remained relatively constant over the financial year, E1.27 billion in 2022 compared to E1.20 billion in 2021. However, the contributions were not sufficient to cover the promised benefits.

### Contributions Received and Benefits Awarded since 2012



## Contributions and Benefits paid over 10 years

The Fund awards benefits upon a member's retirement, resignation or death. The Fund also pays a funeral benefit for a deceased member or retiree. The amount of benefits paid during the year under review remained fairly constant. A 4.5 percent cost of living increase was awarded to pensioners' salaries. There was also an abolition of office for the Ministry of Information, Communication and Technology.

### Benefits Awarded

Benefit Category	2022			2021		
	Number of members	Value of Benefit (E 000)	Average/ person (E)	Number of members	Value of Benefit (E 000)	Average/ person (E)
Deaths	233	68 802	295 287	281	83 102	295 736
Compulsory	551	230 727	418 742	710	272 342	383 580
Early	112	27 882	248 946	58	12 621	217 603
Forced	37	11 365	307 162	34	10 191	299 735
Abolition of Office	102	27 480	269 411	-	-	-
Withdrawals	81	3 639	44 925	56	2 328	41 571
Contract	44	10 984	249 636	66	15 028	227 696
Funeral	661	6 607	10 000	791	7 020	8 874
Pensioners	25 989	973 263	37 448	25 004	922 682	36 901

## Valuation Results as at 01 April 2022

The assets of the Fund have increased by 10.3 percent from E27.5 billion to E30.2 billion. Liabilities have remained roughly unchanged at around E37 billion, however due to the positive performance of investments the deficit has reduced by 7.2 percent resulting in an increase in the funding level from 73.0 percent to 80.2 percent.

	2022 (E'000)	2021 (E'000)
Assets:	<b>30 294 422</b>	27 453 576
Accrued liabilities:		
Pensionable Officers	<b>23 856 494</b>	24 426 424
Contract Workers	<b>35 009</b>	27 425
Pensioners	<b>13 352 440</b>	12 663 025
Deferred Pensioners	<b>174 898</b>	93 518
Benefits payable	<b>373 632</b>	382 319
	<b>37 792 473</b>	37 592 711
<b>Surplus/(Deficit) (assets – liabilities)</b>	<b>(7 498 051)</b>	(10 139 135)
<b>Funding level (%)</b>	<b>80.2%</b>	73.0%
<b>Analysis of Deficit</b>		
Deficit at the beginning of financial year	<b>(10 139 135)</b>	(10 162 982)
Interest on Deficit	<b>(1 409 340)</b>	(1 372 002)
Investment Returns	<b>(764 546)</b>	2 545 718
Contributions	<b>(634 022)</b>	(388 850)
Earnings Experience	<b>3 122 112</b>	1 653 928
Pension increases	<b>644 314</b>	947 554
Membership movements	<b>162 066</b>	516 869
Change in financial assumptions	<b>1 518 060</b>	(3 853 008)
Miscellaneous	<b>2 440</b>	(26 362)
Deficit at the end of financial year	<b>(7 498 051)</b>	(10 139 135)

## Human Resources

### Organisational Development

The Fund engaged a consultant to undertake a Remuneration Survey, An Organisational Structure Review, Job Evaluation and Grading. The purpose of the exercise was to:

- review the Fund's organisational structure to ensure it delivers on its strategy,
- reevaluate and grade all jobs,
- conduct a detailed remuneration analysis to identify at what levels staff members are paid relative to the market and to the job grades; and
- develop and recommend an appropriate remuneration structure, based on market remuneration trends.

The outcome of the study shall inform the review of the Fund's attraction and retention strategy.

### Staff Complement

The head count for the year under review was fifty-eight (58) staff members.

Five new appointments were made while five employees separated from the Fund.

### Learning and Development

The Fund provides opportunities for continuous learning for its people. This enables employees to continue improving their skills and be more flexible and adaptable as changes related to technology and work processes arise quickly.

The following are some of the learning courses, conferences and workshops attended in the reporting period:

- Management Development Programme
- Project Management
- Bachelor of Commerce in Accounting
- Bachelor of Public Administration
- Job Evaluation
- Consumer Experience Conference
- International Financial Reporting Standards
- 64<sup>th</sup> Institute of People Management Annual Convention

### Employee Wellness

Covid-19 has impacted the future of work and requires a new approach in the way business is conducted. In an effort to ensure business continuity and in compliance with some of the Covid-19 guidelines, the Fund introduced shift work wherein some staff were required to work from home on a rotational basis. Staff were enabled for remote access to the Fund's systems to ensure limited disruptions to Fund work processes such that departmental plans were achieved. Board, Executive and Departmental meetings were held via internet platforms such as MicroSoft Teams and Zoom.

Employee health, wellness and fitness in the workplace are initiatives that the Fund continues to support. The Fund participated in a breast cancer awareness initiative and commemorated World AIDS Day.

## Marketing

### Stakeholder Engagement

The Fund successfully hosted its annual stakeholders engagement forum, where PSPF interacts and communicates with various stakeholders.

During this forum PSPF Executive Management made a presentation on the performance of the Fund. There were also engagements between the Fund and Stakeholders on the pertinent issues around the operations of the Fund including frequently asked questions.

Stakeholders in attendance included the Minister of Public Service, PSPF Board of Trustees, PSPF Investment Committee, Swaziland National Association of Government Accounting Personnel, Pensioners Association, Royal Eswatini Police Service, His Majesty's Correctional Services, Umbutfo Eswatini Defence Force, Swaziland National Association of Teachers and the National Public Service and Allied Workers Union.

### Member Education

With the easing of Covid-19 restrictions in the last quarter, the Fund was able to resume with its face to face member education sessions. Through these sessions the Fund gets feedback from the membership on the Fund's products and services.

### Media platforms

The Fund continues to use the different media platforms (social media, radio programmes and newsletters) to reach out to its stakeholders on pertinent issues including its operations.

### Corporate Social Responsibility

The Fund annually sets aside funds to provide relief to the needy and most vulnerable in our society. The Fund further made Covid-19 related donations to some entities in the country.

The Fund made donations to the following organisations:  
Ministry of Tinkhundla (Manzini and Nhlangano Regional Offices)  
Hope House  
St Joseph's Mission  
Hospice at Home  
Cheshire Homes



## Internal Audit

In line with the requirements of the King IV Report on Corporate Governance, the Internal Audit department continues to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes to Management and the Board through the Finance and Audit Committee.

To promote independence of the Internal Audit unit, the Director Internal Audit and Risk reports functionally to the Finance and Audit Committee, and administratively to the Chief Executive Officer. The department is governed by a Charter approved by the Board which sets out its roles and responsibilities.

The Finance and Audit Committee approved the risk-based internal audit coverage plan for the 2021/22 financial year. Internal audit follows a risk-based approach in performing their work in order to ensure that high ranking risks as approved by the Board are prioritised and subjected to audit to ensure that adequate and effective internal controls are in place.

Internal audit reports were presented to the Finance and Audit Committee in line with the approved internal audit plan. These reports highlighted areas of process control gaps and/or weaknesses for corrective action and improvement and also providing assurance on the effectiveness and adequacy of the control environment. Audit reports from both internal and external auditors are also utilised to implement improvements in internal controls.

## Compliance Function

To establish an effective compliance framework and processes, the Fund has in place a compliance function with a policy that serves as a cornerstone in the development of a compliance culture within the Fund.

The function also ensures that the Fund complies with all applicable legislative and regulatory requirements. Compliance reporting currently occurs on a quarterly basis to the Finance and Audit Committee. The Compliance function continually monitors and reports on the effectiveness of controls for purposes of managing the Fund's risk exposure.

## ICT Systems Developments

### Overview

The Fund has continued to make a calculated investment in the IT systems and infrastructure as the underlying platform which supports the core business processes undertaken at all levels. In this regard upgrades to both software and hardware assets have been implemented in line with the growth of the business and in keeping with technology advancements. All the innovative developments implemented in the internal environment have translated to an improvement in staff output levels, customer service and overall member satisfaction while ensuring adherence to IT governance protocols.

## Paperless environment

In pursuit of the objective of working smarter and cost-effectively, the Fund introduced an initiative directed towards achieving a paperless environment in most of its administrative processes. This exercise saw the implementation of an IT system that manages and provides electronic documents for Board and Management online meetings thus eliminating the need to physically print and distribute these documents to members before meetings. The Board and Staff were all trained on the use of the system and its features to the point of achieving its adoption and full application in all meetings of the Fund. This innovation has been found effective not only in achieving a reduction in budget spent on stationery and meeting logistics but also on the salient benefits of a capacitated Board and Staff now operating efficiently and smarter, irrespective of the conditions prevailing.

## Member Self- service

The COVID-19 pandemic and the restrictive protocols enforced at national level have meant PSPF also needed to adapt the service delivery mechanism by expanding the self-service offering. The Fund therefore, introduced new service channels through Email and Social media (Whatsapp, Twitter and Facebook) for use by members. These channels now enable members to submit benefit claims from their locations, thus eliminating the need for physical travel to the offices of the Fund to deliver these claims for processing.

The Fund has also set up unmanned scanning stations at the Fund where officials from central government can personally scan and submit member files electronically. This process protects our staff from physical contact with other people and with incoming documents as everything now gets accessed through the system. Other communication channels such as SMS and the website are also put to use in availing various types of information to the different membership groups such as pension payment notifications, member information form downloads, etc.

## Business Continuity

As a key operational requirement IT facilitates a Business Continuity strategy that ensures that in the event of a disaster or similar disruption the business of the Fund continues to be delivered, albeit through alternative means. In this regard, during the reporting period various elements of the Business Continuity Planning (BCP) had to be invoked including the following:

### ➔ Virtual Meetings hosting facility

A virtual meetings facility was installed to enable the Board and Staff the ability to convene and host meetings remotely. The system of choice is a leading industry application that was acquired and installed on all the participants computers. This implementation proved hugely successful as it enabled members the ability to meet virtually as scheduled and to transact the business of the Fund unimpeded.

### ➔ Virtual private network

A private and secure network (VPN) was installed for use by staff members to access the work systems that are internally hosted at the Fund. This implementation allowed staff to log in and perform their authorised work processes from any remote location and to deliver the collaborative tasks and outputs expected without interruption. With this implementation IT had to also provide the necessary security protocols to protect the internal network from external cyber threats and vulnerabilities.

All these developments have been achieved through cooperative efforts by staff in suggesting innovative ways and means to transform the working tools and to better support the working environment.

# PUBLIC SERVICE PENSIONS FUND

# ANNUAL FINANCIAL STATEMENTS

*- for the year ended 31 March 2022*

## CONTENTS

33	Statement of Responsibility by the Board of Trustees
34- 36	Report of the Independent Auditors' to the Trustees
37 - 50	Report of the Trustees
51	Revenue Account
52	Statement of Funds and Net Assets
53	Statement of Cash Flows
54 - 74	Notes to the Financial Statements



## STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES *- for the year ended 31 March 2022*

The Trustees are responsible for the preparation, integrity and presentation of the financial statements of The Public Service Pensions Fund comprising the statement of net assets and funds at 31 March 2022, the revenue account and the statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of principal accounting policies and other explanatory notes. The financial statements presented on pages 37 to 74 have been prepared in accordance with the basis of preparation applicable to retirement funds in Eswatini and in the manner required by the rules of the Fund.

The Trustees are responsible for the preparation and presentation of the financial statements in accordance with the basis of preparation applicable to retirement funds in the Kingdom of Eswatini as set out in note 1 to the financial statements, and in the manner required by the rules of the Fund, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

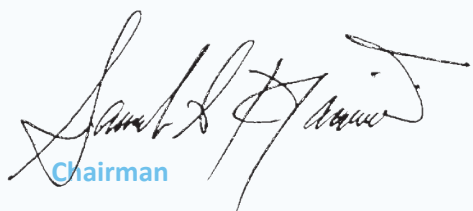
The Trustees are ultimately responsible for the Fund's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Trustees' responsibility also includes determining that the basis of accounting described in note 1 is an acceptable basis for preparing and presenting the financial statements in the circumstances.

The going concern basis has been adopted in preparing the financial statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Fund.

The financial statements have been audited by the independent auditors, SNG Grant Thornton, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Trustees and committees of the Board. The Trustees believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report of SNG Grant Thornton is presented on pages 34 to 36.

The financial statements were approved by the Board of Trustees on 30 May 2022 and are signed on its behalf by:



Chairman



Trustee



Chief Executive Officer

# REPORT OF THE INDEPENDENT AUDITORS'

## *To the Trustees of The Public Service Pensions Fund*

### *Opinion*

We have audited the financial statements of The Public Service Pensions Fund which comprise the statement of funds and net assets at 31 March 2022, and the revenue account and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of principal accounting policies and other explanatory notes, and the Trustees' report as set out on pages 37 to 74.

In our opinion, the financial statements of The Public Service Pensions Fund for the year ended 31 March 2022 have been prepared, in all material respects, in accordance with the basis of preparation applicable to retirement funds in the Kingdom of Eswatini as set out in note 1 to the financial statements and in the manner required by the rules of the Fund.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Fund in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to the audit of financial statements in Eswatini and have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of matter*

Without qualifying our opinion we draw attention to:

1. Note 17 which indicates that the actuarial valuation of the Fund at 1 April 2022 reflected a deficit amounting to E7 498 million.
2. Note 1.1 which describes the basis of preparation of the financial statements.

The financial statements are prepared in terms of the Public Service Pensions Order, 1993 in accordance with the basis of preparation indicated above. Consequently, the financial statements and related auditors' report may not be suitable for any other purpose.

### *Other information*

The Trustees are responsible for the other information. The other information comprises the statement of responsibility by the Board of Trustees which we obtained prior to the date of the auditors' report and the annual report set out on pages 1 to 31 which was made available to us after that date. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Trustees for the Financial Statements*

The Trustees are responsible for the preparation and presentation of these financial statements in accordance with the basis of preparation applicable to retirement funds in the Kingdom of Eswatini as set out in note 1 to the financial statements and in the manner required by the rules of the Fund, and for such internal control that the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

## REPORT OF THE INDEPENDENT AUDITORS'

### *To the Trustees of The Public Service Pensions Fund (continued)*

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves allowed presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



#### **Auditors**

per RE Webb  
Registered Auditor  
7 June 2022

SNG Grant Thornton Chartered Accountants (Eswatini)  
Umkhiwa House  
Lot 195 Kal Grant Street  
Mbabane  
Eswatini

## REPORT OF THE TRUSTEES

*for the year ended 31 March 2022*

The Trustees have pleasure in presenting their report for the year ended 31 March 2022.

### 1. The Fund

#### 1.1 *Description of the Fund*

The Fund, was established under section 3 of the Public Service Pensions Order, 1993, and is a contributory defined benefit scheme. With effect from 1 May 2007 the Public Service Pensions Order regulations were amended and all members contribute at a rate of 5% of pensionable salary whilst the participating employers contribute at a rate of 15% of pensionable salary.

#### 1.2 *Participating employer entities*

The Government of Eswatini and any parastatal body or other service which the Minister, in consultation with the Board of Trustees, may determine to be "public service" for the purpose of the Public Service Pensions Order, 1993.

#### 1.3 *Membership of the Fund*

Membership of the Fund is restricted by the Public Service Pensions Order 1993, to those groups employed in the Government of Eswatini's public service as defined under Section 2 (a)-(d) of the Public Service Pensions Order, 1993.

#### 1.4 *Assigned duty*

The Fund shall, as from the commencement date on 1 November 1993, be responsible for the payment of all benefits arising under the Public Service Pensions Order, 1993, and Regulations and pension benefits to individuals who are entitled to receive such benefits under the provisions of the Pensions Act 1968, the Umbutfo Eswatini Defence Force (Gratuities) Regulations, 1979, and the Commercial Union Pension Scheme for Teachers (CUSADA).

# REPORT OF THE TRUSTEES

*for the year ended 31 March 2022 (continued)*

## 2. Board of Trustees and officials

### 2.1 Trustees

The members who were in office at the time of approval of the financial statements were all appointed on 1 June 2019 (except where specifically disclosed).

Name	Representing
Sammy Dlamini	Chairman
Bathandwa Hlatshwayo	Employer representative
Phetsile Masilela	Employer representative – appointed 1 January 2022
Dumisile J Ngwenya	Employer representative
Zakhele Lukhele	Employer representative – appointed 1 January 2022
Bheki Mamba	Employee representative
Celucolo Dlamini	Employee representative
Celumusa Tembe	Employee representative
Dumisani Khumalo	Employee representative
Ross Maseko	Employee representative

### 2.2 Investment Committee

Phiwayinkhosi E Ginindza  
Simanga Z Simelane  
Zombodze R Magagula  
Mzwandile Ntshangase  
Sammy Dlamini

The Investment Committee was appointed by the Minister on 1 August 2019.

### 2.3 Principal Officer, registered and postal address of the Fund

The principal officer was Mr. Langalakhe Dlamini who passed away on 15 August 2021. Subsequent to that date the principal officer function was undertaken by members of the executive committee on a rotational basis until 1 March 2022, when Mr. Masotja Vilakati was appointed as principal officer.

<i>Registered address of the Fund</i>	<i>Postal Address</i>
7 <sup>th</sup> Floor	P O Box 4469
Ingcamu Building	Mbabane
Mhlambanyatsi Road	Eswatini
Mbabane	
Eswatini	

### 3. Consultants

#### 3.1 Actuaries

##### **Bernard Yen FIA**

Aon Hewitt (Actuarial)

##### ***Business Address***

1<sup>st</sup> Floor  
The Pod  
Vivea Business Park  
Moka 81406  
Mauritius

#### 3.2 Investment Consultant

##### **Alexander Forbes**

##### ***Business Address***

115 West Street  
Sandown  
2196  
South Africa

##### ***Postal Address***

P O Box 786055  
Sandton  
2146  
South Africa

#### 3.3 Property Manager

##### **Ncedze Property Managers**

##### ***Business Address***

Mountain Inn Hotel Area  
Princess Drive  
Mbabane

##### ***Postal Address***

P O Box 7414  
Mbabane  
H100

### 4. Investment Managers

##### **African Alliance Eswatini**

##### ***Business Address***

2<sup>nd</sup> Floor Nedbank Centre  
Corner of Sozisa and Dr Sishayi Road  
Swazi Plaza  
Mbabane  
Eswatini

##### ***Postal Address***

P O Box 5727  
Mbabane  
H100  
Eswatini

##### **African Alliance South Africa**

##### ***Business Address***

Illovo Edge Office Park  
Building 4  
9 Harries Road, Illovo  
2191

##### ***Postal Address***

Postnet Suite 78  
Private Bag X11  
Birnam Park  
2015



## REPORT OF THE TRUSTEES

*for the year ended 31 March 2022 (continued)*

### 4. Investment Managers (continued)

#### Allan Gray Limited

##### *Business Address*

1 Silo Square  
V & A Waterfront  
Cape Town  
8001  
South Africa

##### *Postal Address*

P O Box 51605  
V & A Waterfront  
Cape Town  
8002  
South Africa

#### Alexander Forbes Investments

##### *Business Address*

2-6 Church Street  
St Helier  
Jersey

##### *Postal Address*

P O Box 336  
St Helier  
Jersey

#### Aluwani Capital Partners

##### *Business Address*

1<sup>st</sup> Floor, East Wing Embassy House  
Msakato Street  
Mbabane  
Eswatini

##### *Postal Address*

P O Box 3640  
Mbabane  
H100  
Eswatini

#### Balondolozzi

##### *Business Address*

1<sup>st</sup> Floor Building 1  
Glenhove Square  
4th Street  
Houghton Estate  
2198

##### *Postal Address*

P O Box 542  
Melrose Arch  
2076

#### Gryphon

##### *Business Address*

1<sup>st</sup> Floor Bonitas Office Park East  
Southgate, Tyger Waterfront  
Carl Cronje Drive  
Tyger Valley  
Bellville  
7530

##### *Postal Address*

Private Bag X20  
Tyger Valley  
7536  
South Africa

#### 4. Investment Managers (continued)

##### Inhlonhla Eswatini

###### *Business Address*

Office 201 Second Floor  
Development House  
Swazi Plaza  
Mbabane  
Eswatini

###### *Postal Address*

P O Box 239  
Mbabane  
H100  
Eswatini

##### Old Mutual South Africa

###### *Business Address*

Mutualpark, Jan Smuts Drive  
Pinelands – Cape Town  
7405  
South Africa

###### *Postal Address*

P O Box 66  
Cape Town  
8000  
South Africa

##### Old Mutual Eswatini

###### *Business Address*

4<sup>th</sup> Floor  
Ingcamu Building  
Mhlambanyatsi Road  
Mbabane  
Eswatini

###### *Postal Address*

P O Box 95  
Mbabane  
H100  
Eswatini

##### Sanlam Investment Management (Proprietary) Limited

###### *Business Address*

Sanlam Investments  
55 Willie van Schoor Avenue  
Bellville  
7530  
South Africa

###### *Postal Address*

Private Bag X8  
Tyger Valley  
7536

##### Stanlib Asset Management (Pty) Ltd

###### *Business Address*

2<sup>nd</sup> Floor, Mbabane Office Park  
Mhlambanyatsi Road  
Mbabane  
Eswatini

###### *Postal Address*

P O Box A294  
Swazi Plaza  
H101  
Eswatini

## REPORT OF THE TRUSTEES

*for the year ended 31 March 2022 (continued)*

### 4. Investment Managers (continued)

#### Stanlib Asset Management Limited

##### *Business Address*

17 Melrose Boulevard  
Melrose Arch  
Johannesburg  
2196  
South Africa

##### *Postal Address*

P O Box 203  
Melrose Arch  
2076

#### Stanlib Global

##### *Business Address*

17 Melrose Boulevard  
Melrose Arch  
Johannesburg  
2196  
South Africa

##### *Postal Address*

P O Box 203  
Melrose Arch  
2076

### 5. Investment strategy

The Board of Trustees is responsible for the overall investment of the assets of the Fund, including the performance thereof, after acting on the advice of the Investment Committee. The Fund's broad investment objective is to invest in those asset types that enable it to meet its long-term objective, which is to earn returns of at least 5% above the rate of Consumer Price Inflation for the total Fund assets.

The Board has selected a combination of Investment Managers in order to ensure an asset mix that will achieve its objectives and does not place any restriction on the Fund Managers, who may invest at their own discretion, within the guidelines set out in the Fund's Investment Policy Statement. The portfolio includes assets which are managed internally.

The Fund may invest up to 20% of the Fund's assets offshore. Investments in unlisted shares and unlisted debt instruments may only be made in Eswatini. The Board also believes that it has a duty to invest in social responsibility projects without compromising its primary objectives, which is to achieve optimum investment returns with the least risk to members.

An investment committee of the Fund, as established according to section 4.1(c) of the Public Service Pensions Order 1993, acted as investment administrators during the year.

The value of the Fund's assets held in the investment portfolio at year end was as follows:

## 5. Investment strategy (continued)

	2022 E	2021 E
<b>INVESTMENT MANAGERS – FOREIGN MANAGED PORTFOLIOS</b>		
Allan Gray Limited	4 074 882 009	3 385 678 156
Sanlam Investment Management (Proprietary) Limited	1 737 445 704	1 439 397 098
Stanlib Asset Management Limited	1 856 082 849	1 561 722 507
Stanlib Global	2 884 339 750	2 790 780 128
Old Mutual	1 862 638 878	1 475 934 749
Aluwani Capital Partners	1 806 490 442	1 580 401 304
Alexander Forbes Investments	2 959 750 540	2 886 878 368
African Alliance South Africa	451 314 149	399 250 878
Balondolozzi	465 750 265	403 435 936
Gryphon	-	794 428
	<b>18 098 694 586</b>	<b>15 924 273 552</b>
<b>INVESTMENT MANAGERS – DOMESTIC MANAGED PORTFOLIOS</b>		
Stanlib Asset Management Limited Eswatini	1 433 569 455	1 384 550 236
Inhlonhla Eswatini	3 127 058 559	2 798 558 599
Sanlam Eswatini	180 876 545	-
African Alliance Eswatini	402 183 572	441 885 765
Old Mutual Eswatini	671 266 361	744 752 166
	<b>5 814 954 492</b>	<b>5 369 746 766</b>
Balance carried forward	<b>23 913 649 078</b>	<b>21 294 020 318</b>

## REPORT OF THE TRUSTEES

*for the year ended 31 March 2022 (continued)*

### 5. Investment strategy (continued)

#### 5.1 Investment portfolio

	2022 E	2021 E
Balance brought forward	23 913 649 078	21 294 020 318
<b>OWN PORTFOLIO – DOMESTIC MANAGED PORTFOLIO</b>		
<b>MONEY MARKET AND SHORT-TERM SECURITIES</b>		
Stanlib Eswatini – Income Fund	2 664 324	7 285 651
African Alliance - Lilangeni Fund	73 436 063	69 355 505
Eswatini Bank	106 741 097	107 880 137
Sanlam Unit Trust – money market 1	337 151 477	123 258 101
Old Mutual Absolute Growth Portfolio	22 512 442	21 613 189
Stanlib Unit Trust – money market	44 490 121	42 432 222
Sanlam Unit Trust – money market 2	59 763 445	42 980 866
	<u>646 758 969</u>	<u>414 805 671</u>
<b>EQUITIES</b>		
Swaziland Property Investments Limited - shares at market value	45 863 450	45 863 450
Swazi Empowerment Limited - shares at market value	521 269 200	521 269 200
The Royal Eswatini Sugar Corporation Limited - shares at market value	760 000	760 000
Eswatini Royal Insurance Corporation	84 242 031	87 499 844
The New Mall (Pty) Ltd	35 030 894	34 287 232
Ingcamu Hotel	1	1
SBC Limited – shares at market value	101 939 725	101 939 725
Bekelela Enterprises	10 000	10 000
Woodlands Shopping Centre	70	70
Ezulwini Reinsurance Company Ltd	31 301 504	30 255 973
Greystone Equity	15 052 550	15 052 550
	<u>835 469 425</u>	<u>836 938 045</u>
Balance carried forward	25 395 877 472	22 545 764 034



## 5. Investment strategy (continued)

### 5.1 Investment portfolio (continued)

	2022 E	2021 E
Balance brought forward	25 395 877 472	22 545 764 034
<b>LOANS</b>		
Eswatini Building Society - Permanent shares	170 658 227	164 757 433
Eswatini Sugar Association	151 825 144	151 763 013
Eswatini Development and Savings Bank	255 345 346	163 270 757
Eswatini National Housing Board	489 172 204	568 069 722
New Mall Loan	6 942 275	6 942 275
Eswatini Revenue Authority	496 953 742	536 397 954
Eswatini MTN	30 327 226	34 333 333
Select Limited Loan 3	103 662 155	103 662 155
Select Limited Loan 4	31 514 386	31 514 385
United Nations Building Loan	-	176 130 216
Royal Eswatini Sugar Corporation	16 346 089	34 933 828
Standard Bank Eswatini	105 104 110	105 082 876
	<b>1 857 850 904</b>	<b>2 076 857 947</b>
<b>BONDS</b>		
Eswatini Government bonds - SG018 - 31/01/2024	98 909 108	98 909 113
Eswatini Government bonds - SG025 - 30/06/2021	-	205 561 651
Eswatini Government bonds - SG026 - 31/01/2024	100 509 587	100 488 356
Eswatini Government bonds - SG027 - 31/01/2024	104 447 253	104 447 255
Eswatini Government bonds - SG029 - 28/02/2022	-	100 891 776
Eswatini Government bonds - SG030 - 30/01/2024	101 750 700	101 405 504
Eswatini Government bonds - SG031 - 31/01/2025	100 875 110	100 613 460
Eswatini Government bonds - SG027A - 31/10/2026	105 168 708	105 326 118
Eswatini Government bonds - SGIB002 - 31/10/2025	102 654 451	102 240 720
Eswatini Government bonds - SGIB004 - 29/03/2028	97 778 418	97 399 479
Eswatini Government bonds - SGIB005 - 29/03/2028	100 818 157	100 238 787
Eswatini Government bonds - SG033 - 29/03/2028	50 866 306	50 702 530
Eswatini Government bonds - SG034 - 29/03/2028	70 730 271	70 425 647
Eswatini Government bonds - SG035 - 29/03/2028	146 854 549	146 551 884
Eswatini Government bonds - SG040 - 31/01/2024	91 062 909	91 108 290
Eswatini Government bonds - SG041 - 31/01/2026	122 759 364	122 926 804
Eswatini Government bonds - SG042 - 31/01/2026	80 831 505	80 759 215
Eswatini Government bonds - SGIB006 - 28/09/2024	100 078 084	104 789 042
Eswatini Government bonds - SGIB007 - 31/07/2026	99 472 965	99 287 446
	<b>1 675 567 445</b>	<b>1 984 073 077</b>
Balance carried forward	28 929 295 821	26 606 695 058

# REPORT OF THE TRUSTEES

for the year ended 31 March 2022 (continued)

## 5. Investment strategy (continued)

### 5.1 Investment portfolio (continued)

	2022 E	2021 E
Balance brought forward	28 929 295 821	26 606 695 058
<b>BONDS (continued)</b>		
Eswatini Government bonds – SG047 – 29/05/2030	77 599 739	77 595 766
Eswatini Government bonds – SG049 – 29/01/2026	55 825 724	30 448 350
Eswatini Government bonds – SG051 – 29/01/2028	90 493 822	55 207 637
Eswatini Government bonds – SG052 – 29/01/2031	105 322 061	65 104 614
Eswatini Government bonds – SG055 – 29/10/2028	87 459 603	-
Eswatini Government bonds – SG056 – 29/10/2029	97 687 974	-
Eswatini Government bonds – SG057 – 29/10/2032	123 418 716	-
	<b>637 807 639</b>	228 356 367
	<b>2 313 375 084</b>	2 212 429 444
<b>PROPERTY AT VALUATION</b>		
Sibekelo Building	279 783 896	271 587 897
Mid Scale Hotel – Hilton Garden Inn Hotel	381 350 090	395 369 975
Residential Estate	26 178 000	12 090 415
Tonkwane Properties	161 616 000	124 531 127
	<b>848 927 986</b>	803 579 414
Total investments	<b>30 416 031 440</b>	27 638 630 839
Provision for impairment	<b>(201 093 042)</b>	(158 372 267)
Net investments	<b>30 214 938 398</b>	27 480 258 572
The investment portfolio can be reconciled to the statement of funds and net assets as follows:		
Investments (note 8)	28 719 251 443	26 261 873 487
Investment property (note 9)	848 927 986	803 579 414
Money market and short term securities (note 13)	646 758 969	414 805 671
	<b>30 214 938 398</b>	27 480 258 572

## 6. Bankers

### Standard Bank Eswatini Limited

P O Box A294  
Swazi Plaza  
Mbabane  
Eswatini

### First National Bank of Eswatini Limited

P O Box 261  
Eveni  
Eswatini

### Standard Bank of South Africa Limited

Treasury Division  
P O Box 4425  
Johannesburg  
South Africa

### Nedbank Eswatini Limited

P O Box 68  
Mbabane  
Eswatini

## 7. Funding and Investment Performance

On the basis of an actuarial investigation by Malan and Partners which was conducted in September 1991, the Fund at inception, was grossly underfunded. The funding level has been addressed over time as a result of outperformance by the portfolios. The current funding level is as set out in the Actuarial Valuation Report in note number 17 of the annual financial statements.

Of the total funds available for investment, a portion will be invested in the South African investment market and off – shore through professional investment portfolio managers with above-average investment track records in order to achieve outperformance in the form of high yields and capital gains. It is the Fund's aim that its combined assets in this investment space should yield a return that is equal or better than the desired hurdle rate of CPI +5% net of fees over a three (3) year rolling period.

In compliance with the Retirement Funds Act, 2005, the Fund shall use its best endeavours to ensure that, at least 30% of its investment portfolio, at market value, is invested within the domestic (Eswatini) market. The domestic portfolio shall be ring-fenced to generate profitability and liquidity in order for the Fund to meet its financial obligations as they fall due.

Investments are made and monitored by the Board on the advice of the Investment Committee as established under Section 4.1(c) of the Public Service Pensions Order, 1993. Investments in Eswatini are divided into two portfolios; those with investment managers with a discretionary mandate and those managed by the Fund as their own portfolio. Investments outside the country are managed through investment managers who have a discretionary mandate. The minimum desired real rate of return is to achieve at least 5%.

## 8. Review of activities

### 8.1 Membership statistics

	Pensionable officers		Pensioners and Dependants	
	2022	2021	2022	2021
Number of members at beginning of the year	41 323	42 130	25 562	26 145
Number of new members	402	292	2 809	1 965
Number of withdrawals	(1 131)	(1 099)	(2 008)	(2 548)
Number of members at year end	40 594	41 323	26 363	25 562

# REPORT OF THE TRUSTEES

*for the year ended 31 March 2022 (continued)*

## 8. Review of activities (continued)

### 8.2 Accumulated funds

The revenue account discloses net revenue for 2022 as E3 042 million (2021: E2 989 million). The change in the value of the Fund due to the changes in fair values of investments during 2022 was an E1 375 million increase (2021: E4 141 million increase), making the total increase in the Fund's assets for the year E 2 739 million (2021: E5 395 million increase), after meeting the cost amounting to E1 361 million (2021: E1 325 million) of benefits paid out.

Total contributions paid into the Fund during 2022 amounted to E1 276 million (2021: E1 202 million). Members of the Fund contributed E302 million (2021: E301 million) being contributions at the normal rate of five percent of pensionable salary and additional voluntary contributions. The balance was contributed by the participating employers.

### 8.3 Benefit changes

It is the current policy of the Fund to carry out a review of pensions in payment on the 1<sup>st</sup> of April each year. A 4.5% increase in pensions was granted from 1 April 2021 (1 April 2020: no increase).

### 8.4 Gazetted regulations

The Retirement Funds Act, 2005, was approved and promulgated on 11 April 2007. The Act, which is effective from 1 November 2006, requires certain changes to the operations of the Fund, especially as regards the minimum levels of investment to be held in the country. Regulations have been drafted by the Registrar. The investment profile of the Fund is in the process of being realigned.

## 9. Actuarial valuation

In accordance with the rules of the Fund, the financial position of the Fund is to be examined and reported on by the valuator at intervals not exceeding three years. The Board has resolved to value the financial position of the fund annually. The latest statutory valuation was as at 1 April 2022. The valuation covered the following membership.

	Number	Annual salary/pension E000's
Pensionable officers	40 594	5 902 993
Contract workers	123	56 241
Deferred pensioners	215	19 670
Pensioners (including suspended)	26 363	984 669

The net actuarial value of the Fund was a deficit of E 7 498 million (2021: E10 139 million) as at the valuation date. For valuation purposes of the Fund, the actuarial value of the assets has been taken from the most recent valuations performed using various valuation techniques such as fair value and net asset values, as presented in the Statement of Funds and Net Assets on page 52.

## 9. Actuarial valuation (continued)

The actuarial valuation result in respect of past service was as follows:-

	2022 E'000	2021 E'000
Accrued liability for Pensionable Officers	(23 856 494)	(24 426 424)
Accrued liability for Contract Workers	(35 009)	(27 425)
Deferred Pensioners	(174 898)	(93 518)
Pensioners	(13 352 440)	(12 663 025)
Benefits payable	(373 632)	(382 319)
Total liabilities	(37 792 473)	(37 592 711)
<b>Actuarial value of assets</b>	<b>30 294 422</b>	<b>27 453 576</b>
Deficit	(7 498 051)	(10 139 135)
Funding level (%)	<b>80.2%</b>	<b>73.0%</b>
Contributions paid to the Fund, expressed as a percentage of the pensionable salaries and before considering the deficit were:		
	%	%
By members (average)	5	5
By Government	15	15
	<b>20</b>	<b>20</b>

The contribution rate, after adding an allowance for expenses, required to support the level of benefits expected to accrue over the future service of current members was 26.9% (2021: 28.2%) of pensionable emoluments. This excludes any additional contribution required to reduce the deficit in the Fund.

The contribution rate required to eliminate the past service deficit over the next 15 years is 10.1% of pensionable emoluments. It should be noted though that, in normal circumstances, pension fund deficits are required to be eliminated over a much shorter period than the future working lives of current employees.

In view of the level of underfunding a high degree of caution has to be exercised in granting salary/pension increases or any benefit improvements which could affect the liabilities of the Fund. The contribution rate required in order for the Fund to attain financial soundness over the next 15 years is 37.0% of pensionable emoluments.

# REPORT OF THE TRUSTEES

*for the year ended 31 March 2022 (continued)*

## 10. Fidelity cover

Adequate Fidelity cover was maintained during the year.

## 11. Loans to members

There were no loans to members of the Fund.

## 12. Investments in the participating employer

The Fund holds investments amounting to E5 590 335 642 (2021: E5 292 880 776) in entities controlled by the participating employer.

## 13. COVID-19

In March 2020, the Government of Eswatini invoked Section 29 of the Disaster Management Act of 2006 and declared a national emergency imposing a partial lockdown in the country. The effect of this decision was disruption in business operations and a significant increase in economic uncertainty. The partial lockdown regulations implemented by the Government of Eswatini categorised the Fund as an essential industry and it has therefore been able to continue with its normal operations, albeit implementing a best practice COVID-19 risk avoidance strategy.

The COVID-19 pandemic has impacted the asset growth of the Fund. To mitigate the effects of the pandemic, we extended relief to our clients who were impacted by the pandemic. These facilities are ring-fenced and their performance is closely monitored. A business continuity plan has been put in place to ensure that business operations can continue uninterrupted. The Fund has implemented preventative measures across the business to ensure the safety of our staff and clients. Management continues to monitor and evaluate the COVID-19 response strategies in place and adjusts them in line with the ever-changing environment. Based on this, the Board of Trustees are of the view that the business will continue to operate as a going concern.

## 14. Going concern

The annual financial statements have been prepared on a going concern basis, which assumes that the Fund will be able to meet the mandatory repayment terms of the liabilities disclosed in the Statement of Financial Position.

The Fund has recognised a surplus of E2 738 690 400 for the year ended 31 March 2022 and, as at that date, total assets exceed total liabilities by E30 294 422 447 (2021: E27 555 732 047). Management has a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future.

## 15. Subsequent events

There have been no events that have occurred subsequent to year end which require adjustment or disclosure in the financial statements. (Refer note 24).



## REVENUE ACCOUNT

for the year ended 31 March 2022

	Note	2022 E	2021 E
<b>Contributions received</b>			
Members		301 590 652	301 374 234
Employers		974 139 273	900 229 934
		<b>1 275 729 925</b>	1 201 604 168
Income from investments	2	1 734 059 388	1 751 256 946
Sundry income		135 784	5 025 301
Rental income		32 560 780	31 298 257
		<b>3 042 485 877</b>	2 989 184 672
Less: Administration expenses	3	(79 017 224)	(66 821 119)
Investment managers fees		(126 172 381)	(107 362 049)
Property expenses		(18 066 520)	(16 119 179)
Regulatory levies		(36 302 435)	(42 218 467)
Withholding tax		(48 512 297)	(32 236 644)
		<b>2 734 415 020</b>	2 724 427 214
<b>Net revenue</b>			
Less: Benefits awarded and accrued	4	(1 360 694 045)	(1 325 381 371)
		<b>1 373 720 975</b>	1 399 045 843
<b>Surplus before fair value adjustments</b>			
Adjustment to market value of investments net of provision for impairment	8	1 375 156 954	4 141 076 838
Revaluation gain/(loss) on investment property	9	32 533 246	(89 008 756)
Impairment of loans	8	(42 720 775)	(56 216 417)
	6	<b>2 738 690 400</b>	5 394 897 508

## STATEMENT OF FUNDS AND NET ASSETS

for the year ended 31 March 2022

	Note	2022 E	2021 E
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	7	40 530 078	41 317 846
Investments	8	28 719 251 443	26 261 873 487
Investment property	9	848 927 986	803 579 414
<b>Current assets</b>			
Accounts receivable	10	13 930 243	29 800 156
Arrear contributions	11	193 891 381	98 007 764
Bank and cash	12	63 237 166	129 769 370
Money market and short-term securities	13	646 758 969	414 805 671
<b>Total assets</b>		<b>30 526 527 266</b>	<b>27 779 153 708</b>
<b>Funds</b>			
Accumulated funds	6	30 294 422 447	27 555 732 047
<b>Current liabilities</b>			
Benefits payable	14	134 897 981	135 793 142
Accounts payable	15	97 206 838	87 628 519
<b>Total funds and liabilities</b>		<b>30 526 527 266</b>	<b>27 779 153 708</b>

## STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	16.1	<u>1 304 633 165</u>	<u>1 558 527 841</u>
<b>Cash flows from investing activities</b>			
Additions to investment property	9	(12 815 326)	(11 050 819)
Acquisition of property and equipment	7	(1 454 969)	(1 009 866)
Acquisition of investments	8	(2 119 980 946)	(7 545 920 611)
Investment income and profits capitalised	8	(1 594 744 637)	(1 652 589 779)
Management fees and withholding tax paid	8	168 127 488	135 098 929
Disposal of investments	8	<u>2 421 656 319</u>	<u>7 241 329 569</u>
<b>Net cash outflows from investing activities</b>		<u>(1 139 212 071)</u>	<u>(1 834 142 577)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>165 421 094</b>	<b>(275 614 736)</b>
<b>Cash and cash equivalents at beginning of year</b>	16.2	<u>544 575 041</u>	<u>820 189 777</u>
<b>Cash and cash equivalents at end of year</b>	16.2	<u><u>709 996 135</u></u>	<u><u>544 575 041</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2022*

## 1. Significant accounting policies

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Public Service Pensions Order, 1993 which are silent on the basis of preparation of the Fund's financial statements. Accordingly the financial statements are prepared in accordance with the basis described below which is considered by the Trustees to be the basis applicable to pension funds in the Kingdom of Eswatini and acceptable to the users of the financial statements.

The financial statements were approved by the board of Trustees on 30 May 2022.

The financial statements have been prepared under the historical cost convention as modified by the valuation of property and investments including the marking to market of investment securities designated or at fair value through profit and loss.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The financial statements are presented in Emalangeni rounded to the nearest one.

### 1.2 Property and equipment

Property comprises land and buildings. Land is recorded in the financial statements at cost without being depreciated. All other items of property and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Buildings	50 years
Motor vehicles	5 years
Office furniture and equipment	10 years
Computer equipment	3 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the revenue account during the financial period in which they are incurred.

Repairs and maintenance costs are charged to the revenue account during the financial period in which they are incurred.

#### 1.2.1 Impairment of long lived assets

Property and equipment and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

## 1.3 Investment securities

### *Business model assessment*

The Fund makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at fair value through the revenue account ("FVTPL").

### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; and
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features).

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2022 (continued)*

### 1.3 Investment securities (continued)

#### *Subsequent measurement*

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the revenue account.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the revenue account. Any gain or loss on derecognition is recognised in the revenue account.

#### *Impairment of investments*

The carrying amount of an investment is written off when the Fund has no reasonable expectations of recovering an investment or a portion thereof.

The Fund considers evidence of impairment of investments at an individual asset level. In assessing impairment the Fund considers historical information on the timing of recoveries as well as other objective evidence that investments may be impaired including default on loans and significant decline in the net asset value or fair value of equity investments.

The impairment loss is the difference between the carrying amount of the investment and the estimated value of future cash flows expected from the investment.

Impairment provisions are decreased when there is objective evidence that the value of the investment has increased.

All impairments are recognised in the revenue account, either as adjustments to market value of investments or impairment of loans for debt investments at amortised cost.

### 1.4 Investment property at fair value

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of classification becomes its cost for subsequent accounting.

### 1.5 Accounts receivable and arrear contributions

Accounts receivable include arrear contributions from Government, prepayments, staff and other debtors. Receivables other than arrear contributions from Government are carried at the fair value of the financial asset exchanged less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables contract. Receivables are assessed on an individual receivable basis and impaired to an amount equal to future expected cash flows.

Arrear contributions are carried at the fair value of the cash consideration to be received from the employers.



## 1.6 Money market securities

Money market securities consist of short-term highly liquid investments with original maturities of three months or less. Such securities are stated at their fair values at the end of the year. These are disclosed separately from bank and cash because management does not utilise them to meet daily funding needs.

## 1.7 Bank and cash

Bank and cash comprises cash on hand and deposits held readily available for meeting the Fund's daily funding needs. Bank overdrafts are separately disclosed in current liabilities on the statement of funds and net assets.

## 1.8 Benefits and accounts payable

Benefits payable include accruals in respect of amounts payable to members and pensioners and amounts payable to pensioners that have been suspended in accordance with the rules of the Fund. Accounts payable include accruals in respect of amounts due to third parties. Payables are carried at the amount expected to be paid and are not discounted.

## 1.9 Employee benefits

The employees of the Fund are members of a separate defined contribution plan (The Public Service Pensions Fund Staff Pension Scheme). The scheme is independently administered on a contractual basis. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Fund had guaranteed a minimum investment return of 8% per annum on the assets of the employees' pension scheme.

## 1.10 Provisions

A provision is recognised in the statement of funds and net assets when the Fund has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits, which can be reliably measured, will be required to settle the obligation.

## 1.11 Contributions

Contributions are accounted for on the accrual basis, except for additional voluntary contributions, which are recorded in the period in which they are received.

A provision for impairment of arrear contributions is established when there is objective evidence that the Fund will not be able to collect arrear contributions.

## 1.12 Dividend, interest and rental income

### *Dividend income*

Dividend income is recognised in the revenue account, when the right to receive payment is established, which is the last date of registration for equity securities.

### *Interest income*

Interest income is recognised in the revenue account as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium or any other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective rate basis.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

## 1.12 Dividend, interest and rental income (continued)

### Rental income

Rental income from investment property is recognised in the revenue account as it accrues in terms of the respective lease agreements.

## 1.13 Accounting policies, changes in accounting estimates and errors

The Fund applies adjustments arising from changes in accounting policies or errors prospectively. Any adjustment relating to changes in accounting policies or errors is therefore recognised in the current and future periods affected by the change.

## 1.14 Comparatives

When necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## 2. Income from investments

	2022 E	2021 E
<i>Income from domestic fund managers and own portfolio</i>		
Dividends	85 295 594	53 188 779
Interest	658 835 034	677 080 585
<i>Income from foreign fund managers</i>		
Allan Gray Limited - managed portfolio	351 810 978	395 585 503
Coronation Asset Management (Proprietary) Limited - managed portfolio	-	26 407
Foord Asset Management (Property) Limited - managed portfolio	-	335 321 297
Sanlam Investment Management – managed portfolio	137 545 671	58 700 293
Stanlib – Managed portfolio	4 479 605	3 511 357
Stanlib Global – managed portfolio	167 008 472	26 570 785
Old Mutual – managed portfolio	145 433 720	69 771 491
Aluwani Capital Partners– managed portfolio	154 371 350	107 613 414
Alexander Forbes – managed portfolio	-	62 324
African Alliance – managed portfolio	1 900 659	-
Balondolozzi – managed portfolio	27 377 709	3 030 823
Gryphon – managed portfolio	596	20 793 888
	<b>1 734 059 388</b>	<b>1 751 256 946</b>

### 3. Administration expenses

	2022 E	2021 E
Actuaries' fees	1 370 292	714 702
Advertising and communications to members	3 707 297	4 376 151
Audit fees	409 538	690 418
Bank charges	674 812	660 253
Board expenses	2 934 562	1 801 703
Computer expenses	403 695	245 019
Consultants fees	3 786 857	6 251 798
Depreciation	2 225 780	2 480 000
General expenses	3 376 437	2 570 933
Licences and insurances	3 732 403	3 232 838
Motor vehicle expenses	160 558	154 730
Postage and telephone	395 786	333 658
Printing and stationery	357 951	336 539
Rent and office expenses	759 278	914 656
Repairs and maintenance	1 172 743	699 383
Salaries and related costs	50 027 826	39 315 862
Social investments	2 022 766	881 404
Staff wellness	885 595	642 491
Travel and entertainment	613 048	518 581
	<b>79 017 224</b>	<b>66 821 119</b>

### 4. Benefits awarded and accrued

Pensions	973 262 983	922 682 752
Lump sums on deaths	68 802 485	83 135 059
Lump sums on retirements	297 396 914	295 105 828
Lump sums on withdrawals	3 639 868	2 339 878
Other	17 591 795	22 117 854
	<b>1 360 694 045</b>	<b>1 325 381 371</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

	2022 E	2021 E
<b>5. Taxation</b>		
<b>5.1 Eswatini Normal Taxation</b>		
The Fund is exempt from Eswatini normal taxation in Terms of Section 12(1)(a)(iv) of the Income Tax (Consolidation) Order 1975 as amended.		
<b>6. Accumulated funds</b>		
Balance at beginning of year	27 555 732 047	22 160 834 539
Accumulated surplus for the year	2 738 690 400	5 394 897 508
Balance at end of year	<u>30 294 422 447</u>	<u>27 555 732 047</u>
Included in accumulated funds above are the following amounts which at inception of the Fund were transferred from predecessor funds and the Eswatini Government		
Funds transferred from the Eswatini Government	110 000 000	110 000 000
Value of investment transferred from Commercial Union Pension Scheme for Teachers (CUSADA)	176 535 000	176 535 000
	<u>286 535 000</u>	<u>286 535 000</u>

	Cost	Accumulated depreciation	2022 Net book value	2021 Net book value
	E	E	E	E

## 7. Property and equipment

Land	1 666 139	-	1 666 139	1 666 139
Buildings	47 183 682	12 234 787	34 948 895	35 892 569
Motor vehicles	2 569 545	1 926 723	642 822	1 068 045
Office furniture and equipment	6 896 511	4 985 549	1 910 962	1 907 866
Computer equipment	8 808 423	7 447 163	1 361 260	783 227
Computer software	11 568 182	11 568 182	-	-
	<b>78 692 482</b>	<b>38 162 404</b>	<b>40 530 078</b>	<b>41 317 846</b>

Land comprises portion 936 and 937 of farm no.2, Mbabane urban area, measuring 2368 and 2502 square metres respectively. Buildings relate to the Ingcamu Building of which approximately 50% is let out. This building is disclosed at cost less accumulated depreciation. The market value of the land and buildings is E88 million.

	Opening net book value	Additions	Disposals	Depreciation	Closing net book value
	E	E	E	E	E
<b><i>Movement – 2022</i></b>					
Land	1 666 139	-	-	-	1 666 139
Buildings	35 892 569	-	-	(943 674)	34 948 895
Motor vehicles	1 068 045	-	-	(425 222)	642 822
Office furniture and equipment	1 907 866	346 507	(9 954)	(333 457)	1 910 962
Computer equipment	783 227	1 108 462	(7 002)	(523 427)	1 361 260
Computer software	-	-	-	-	-
	<b>41 317 846</b>	<b>1 454 969</b>	<b>(16 956)</b>	<b>(2 225 780)</b>	<b>40 530 078</b>

### ***Movement - 2021***

Land	1 666 139	-	-	-	1 666 139
Buildings	36 836 243	-	-	(943 674)	35 892 569
Motor vehicles	1 534 257	-	-	(466 212)	1 068 045
Office furniture and equipment	1 945 175	285 411	-	(322 720)	1 907 866
Computer equipment	428 826	724 455	-	(370 054)	783 227
Computer software	377 340	-	-	(377 340)	-
	<b>42 787 980</b>	<b>1 009 866</b>	<b>-</b>	<b>(2 480 000)</b>	<b>41 317 846</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

	Debt instruments at amortised cost E	Designated at fair value through profit or loss E	Fair value through profit or loss E	Total E
<b>8. Investments</b>				
At the beginning of the year	7 409 185 045	3 086 787 157	15 924 273 552	26 420 245 754
Additions	2 055 326 569	63 931 595	722 782	2 119 980 946
Withdrawals	-	-	(722 782)	(722 782)
Repayments	(1 691 371 771)	-	-	(1 691 371 771)
Matured investments	(729 561 766)	-	-	(729 561 766)
Investment income capitalised	604 815 877	-	395 010 814	999 826 691
Realised profits capitalised	-	-	594 917 946	594 917 946
Unrealised fair value (losses)/ gains	(6 553 819)	82 148 378	1 299 562 395	1 375 156 954
Management fees paid	(53 057 366)	-	(66 557 824)	(119 615 190)
Withholding tax	-	-	(48 512 297)	(48 512 297)
	7 588 782 769	3 232 867 130	18 098 694 586	28 920 344 485
Provision for impairment	(201 093 042)	-	-	(201 093 042)
	<b>7 387 689 727</b>	<b>3 232 867 130</b>	<b>18 098 694 586</b>	<b>28 719 251 443</b>

	2022 E	2021 E
Reconciliation of provision for impairment		
Beginning of year	158 372 267	102 155 850
Current year impairment	42 720 775	56 216 417
End of year	<b>201 093 042</b>	<b>158 372 267</b>

Debt instruments held at amortised cost consist mainly of loans and bonds (Refer note 8.1).

Investment securities designated at fair value through profit and loss consists mainly of unlisted equity instruments. (Refer note 8.2).

Fair value through profit or loss consists mainly of funds managed on behalf of the Fund being a combination of various equity, debt and linked instruments that are traded on the Johannesburg Securities Exchange (South Africa), other reputable securities exchanges and local equities listed on the Eswatini Stock Exchange. The Fund utilises the services of specialist asset managers to invest and manage the held for trading securities on management's behalf. (Refer note 8.3).



	Opening carrying value E	Additions E	Capital repayments E	Unrealised fair value gains E	Matured investments E	Investment income capitalised E	Fees paid E	Closing carrying value E
<b>8. Investments (continued)</b>								
<b>8.1 Investment securities –</b>								
<b>At amortised cost</b>								
Own portfolio	4 391 227 114	377 938 022	(446 926 823)	-	(404 020 662)	354 948 057	-	4 273 165 708
Inhlonhla	1 246 637 541	504 093 989	(227 262 658)	-	(134 680 441)	121 988 595	(35 485 093)	1 475 291 933
Stanlib Eswatini	1 039 076 841	584 822 325	(486 182 971)	-	(119 147 643)	88 432 342	(7 892 722)	1 099 108 172
Old Mutual Eswatini	362 111 412	67 185 339	(154 086 500)	(6 553 819)	(44 857 603)	9 976 317	(6 538 390)	227 236 756
African Alliance Eswatini	370 132 137	339 244 040	(375 735 311)	-	(26 855 417)	29 459 367	(3 141 161)	333 103 655
Sanlam Eswatini	-	182 042 854	(1 177 508)	-	-	11 199	-	180 876 545
	7 409 185 045	2 055 326 569	(1 691 371 771)	(6 553 819)	(729 561 766)	604 815 877	(53 057 366)	7 588 782 769

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

	Shareholding	Opening carrying value E	Additions during the year E	Investments re-classified E	Unrealised fair value gains/ (losses) E	Closing carrying value E
<b>8. Investments (continued)</b>						
<b>8.2 Investment securities – Designated at fair value through profit or loss</b>						
<i>Held directly and indirectly through investment managers – domestic managed portfolios</i>						
Swazi Empowerment Limited (Equity)	78.3%	521 269 200	-	-	-	521 269 200
Swaziland Property Investments Limited (Equity)	35%	64 973 653	-	-	-	64 973 653
The New Mall (Proprietary) Limited (Equity)	50%	34 287 232	-	-	743 662	35 030 894
The Royal Eswatini Sugar Corporation Limited (Equity)	0.05%	760 000	-	-	-	760 000
Emprop Limited (Equity)	50%	63 797 959	-	-	1 147 112	64 945 071
Eswatini Royal Insurance Corporation Limited (Equity)	6.5%	71 753 627	-	-	(2 673 710)	69 079 917
RMS Manzini Investments (Proprietary) Limited (Equity)	100%	24 779 990	-	-	4 824 106	29 604 096
Maguduza Hydro Power Station (Equity)	28%	7 280 000	-	-	-	7 280 000
Montigny Investments Limited (Equity)	38.46%	968 270 183	-	-	66 898 271	1 035 168 454
The Gables Shopping Centre Partnership	50%	188 284 048	-	-	-	188 284 048
Libuyile Properties (Proprietary) Limited (Equity)	100%	177 293 115	148 512	-	13 421 218	190 862 845
Ezulwini Reinsurance Company Limited (Equity)	51%	30 255 973	-	-	1 045 531	31 301 504

	Shareholding	Opening carrying value E	Additions during the year E	Investments re-classified E	Unrealised fair value gains/ (losses) E	Closing carrying value E
<b>8. Investments (continued)</b>						
<b>8.2 Investment securities – Designated at fair value through profit or loss (continued)</b>						
<i>Held directly and indirectly through investment managers – domestic managed portfolios</i>						
Ingcamu Hotel	100%	1	-	-	-	1
Eswatini Royal Insurance Corporation (Equity)	7.58%	11 959 362	-	-	(444 247)	11 515 115
Eswatini Royal Insurance Corporation (Equity)	6.83%	75 540 482	-	-	(2 813 565)	72 726 917
Ebuhleni Properties	90%	113 299 156	(15 836 148)	-	-	97 463 008
Woodlands Shopping Centre (Equity)	70%	70	36 388 785	-	-	36 388 855
Tabankulu Estate (Equity)	100%	375 360 750	25 000 000	-	-	400 360 750
Eswatini Mobile	40%	342 559 806	18 230 446	-	-	360 790 252
Bekelela Enterprises (Equity)	100%	10 000	-	-	-	10 000
Greystone Partners Limited (Equity)	3.53%	15 052 550	-	-	-	15 052 550
		<b>3 086 787 157</b>	<b>63 931 595</b>	<b>-</b>	<b>82 148 378</b>	<b>3 232 867 130</b>

Investments designated at fair value through profit and loss include certain equity investments where the Fund exercises significant control through its shareholding. The above equity holdings are summarised in notes 8.2.1 and 8.2.2.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

## 8. Investments (continued)

### 8.2 Investment securities – Designated at fair value through profit or loss (continued)

*Held directly and indirectly through investment managers – domestic managed portfolios (continued)*

		Last year end audited E	Non-current assets E	Current assets E	Non-current liabilities E	Current liabilities E	Net Assets E	Profit/(loss) before tax E
<b>8.2.1 Listed</b>								
	Swazi Empowerment Limited	31 March 2021	613 888 492	52 120 240	-	(1 745 930)	664 262 802	58 038 492
	Swaziland Property Investments Limited	30 June 2021	186 053 336	13 417 286	(4 263 357)	(7 369 296)	187 837 969	19 393 894
<b>8.2.2 Unlisted</b>								
	The New Mall (Pty) Ltd	30 June 2021	69 078 285	15 833 662	(12 445 697)	(2 404 462)	70 061 788	16 089 512
	Emprop	30 June 2021	246 494 635	13 270 299	(164 960 000)	(4 874 793)	89 930 141	3 628 034
	Libuyile Properties (Pty) Ltd	31 March 2021	250 610 244	11 462 537	(69 735 722)	(1 474 314)	190 862 745	4 212 515
	Montigny Investments Ltd	30 September 2021	2 913 979 246	928 105 956	(753 255 336)	(400 080 633)	2 688 749 233	176 690 847
	Old Mutual Eswatini Agri-Fund Partnership	31 December 2020	195 076 678	1 020 025	-	(3 771 397)	192 325 306	(428 261)
	RMS Investments (Pty) Ltd	31 March 2021	48 038 556	32 413 346	(28 888 000)	(21 960 806)	29 603 096	5 115 265
	Bekelele Enterprises (Pty) Ltd	31 December 2021	15 600 000	6 048 354	(26 986 120)	(2 731 259)	(8 069 025)	(1 439 559)
	Ingcamu Hotel (Pty) Ltd	31 December 2021	26 206 874	5 700 016	(51 308 683)	(14 777 453)	(34 179 246)	(9 667 139)
	Woodlands Shopping Centre	31 March 2021	85 760 000	4 410 570	(81 224 868)	(14 411 896)	(5 466 194)	(4 774 211)
	Eswatini Mobile	30 June 2021	469 465 547	41 959 399	(252 581 115)	(306 847 778)	(48 003 947)	(56 473 043)
	The Gables	31 March 2021	376 278 646	8 606 996	-	(2 732 643)	382 152 999	23 308 213
	Buhleni Plaza	31 March 2021	99 688 616	22 294 602	(140 060)	(375 562)	121 467 596	(478 058)
	Tambankulu Estates	31 March 2021	268 897 252	43 390 375	(56 405 908)	(31 790 232)	224 091 487	49 545 239
	Eswatini Royal Insurance Corporation	31 December 2021	2 640 145 797	429 563 718	(2 288 395 186)	(87 108 084)	694 206 245	203 410 669
	Ezulwini Reinsurance Company Limited	31 December 2021	52 849 847	37 926 138	(14 821 888)	(14 578 600)	61 375 497	4 262 680

## 8. Investments (continued)

### 8.3 Investment securities – fair value through profit or loss

The asset managers used during the year and the value of assets managed at year end were as follows:

	2022 E	2021 E
Allan Gray Limited	4 074 882 009	3 385 678 156
Sanlam Investment Management (Proprietary) Limited	1 737 445 704	1 439 397 098
Stanlib Global	2 884 339 750	2 790 780 128
Aluwani Capital Partners	1 806 490 442	1 580 401 304
Stanlib Asset Management Limited	1 856 082 849	1 561 722 507
Old Mutual	1 862 638 878	1 475 934 749
Alexander Forbes	2 959 750 540	2 886 878 368
Gryphon	-	794 428
African Alliance	451 314 149	399 250 878
Balondolozzi	465 750 265	403 435 936
	<u>18 098 694 586</u>	<u>15 924 273 552</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

## 8. Investments (continued)

### 8.3.1 Investments securities – fair value through profit or loss

	Opening balance	Additions	Withdrawals	Investment income capitalised	Withholding tax	Realised profit/(loss)	Unrealised fair value gains/(losses)	Manage- ment fees paid	Closing balance
	E	E	E	E	E	E	E	E	E
Allan Gray	3 385 678 156	-	-	118 756 160	(13 179 092)	233 054 818	375 781 407	(25 209 440)	4 074 882 009
Sanlam (Equity)	1 439 397 098	-	-	61 915 755	(7 939 498)	75 629 916	176 948 509	(8 506 076)	1 737 445 704
Aluwani	1 580 401 304	-	-	70 758 968	(8 768 705)	83 612 382	89 513 643	(9 027 150)	1 806 490 442
Stanlib Asset Management Limited	1 561 722 507	-	-	62 376 250	(7 924 805)	104 632 222	145 398 518	(10 121 843)	1 856 082 849
Old Mutual	1 475 934 749	-	-	56 490 681	(7 529 446)	88 943 039	257 720 164	(8 920 309)	1 862 638 878
Alexander Forbes	2 886 878 368	-	-	-	-	-	72 872 172	-	2 959 750 540
Gryphon	794 428	-	(722 782)	596	-	-	-	(72 242)	-
Stanlib Global	2 790 780 128	-	-	4 479 605	-	-	89 080 017	-	2 884 339 750
African Alliance	399 250 878	722 782	-	1 855 564	(6 266)	45 095	51 806 873	(2 360 777)	451 314 149
Balondlozi	403 435 936	-	-	18 377 235	(3 164 485)	9 000 474	40 441 092	(2 339 987)	465 750 265
	<b>15 924 273 552</b>	<b>722 782</b>	<b>(722 782)</b>	<b>395 010 814</b>	<b>(48 512 297)</b>	<b>594 917 946</b>	<b>1 299 562 395</b>	<b>(66 557 824)</b>	<b>18 098 694 586</b>



## 9. Investment property

Investment property comprises portions 931, 932, 933, 935, 947 and portion 948 of Farm no. 2 situated in the Mbabane Urban area in the Hhohho region with improvements thereon and remaining extent of portion 2 and 4 of farm no. 73 situated in the Hhohho District, Eswatini with improvements thereon.

At beginning of the year

Revaluation gain/(loss) on investment property

Additions

At end of the year

## 10. Accounts receivable

Net VAT receivable

Prepayments

Staff receivables

Rent receivable

Withholding tax receivable

## 11. Arrear contributions

Receivable from the Eswatini Government

Less provision for impairment

**2022**  
**E**
**2021**  
**E**
**803 579 414**
**32 533 246**
**12 815 326**
**848 927 986**

881 537 351

(89 008 756)

11 050 819

803 579 414

-

**7 436 798**
**3 830 197**
**2 194 595**
**468 653**
**13 930 243**

22 746 535

1 805 729

2 148 655

2 630 584

468 653

29 800 156

**193 891 381**

98 007 764

-

-

**193 891 381**

98 007 764

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022 (continued)

	2022 E	2021 E
<b>12. Bank and cash</b>		
First National Bank of Eswatini Current Account	3 071 144	12 448 064
First National Bank of Eswatini Call Account	22 993 591	33 806 829
First National Bank of Eswatini Trust Current Account	7 969 460	33 089 649
Nedbank Eswatini Call Account	20 108 061	49 773 534
Nedbank Eswatini Current Account	40 369	78 043
Standard Bank Eswatini Current Account	(18)	(394)
Eswatini Bank Current Account	34 040	47 415
Standard Bank Eswatini Call Account	8 312 326	57 667
MTN Mobile Money	405 219	175 766
Standard Bank South Africa Call Account	301 840	292 676
Petty cash	1 134	121
	<b>63 237 166</b>	<b>129 769 370</b>
<b>13. Money market and short term securities</b>		
Stanlib Eswatini – Income Fund	2 664 324	7 285 651
African Alliance Eswatini –Lilangeni Fund	73 436 063	69 355 505
Eswatini Bank – Fixed Deposit	106 741 097	107 880 137
Old Mutual Absolute Growth Portfolio	22 512 442	21 613 189
Stanlib Unit Trust – money market	44 490 121	42 432 222
Sanlam Unit Trust – money market 2	59 763 445	42 980 866
Sanlam Unit Trust – money market 1	337 151 477	123 258 101
	<b>646 758 969</b>	<b>414 805 671</b>
<b>14. Benefits payable</b>		
Trust Account benefits	112 223 025	118 502 737
Accrued lump sum benefits	20 631 905	14 521 687
Pensioners suspended	2 043 051	2 768 718
	<b>134 897 981</b>	<b>135 793 142</b>
<b>15. Accounts payable</b>		
Net VAT payable	671 725	-
Accrued expenses	8 417 875	9 772 530
Investment fees	15 325 808	14 861 215
PEU Levy	56 496 557	39 639 530
Other payables	13 447 082	20 392 006
Retention	2 847 791	2 963 237
	<b>97 206 838</b>	<b>87 628 519</b>

## 16. Notes to the cash flow statement

### 16.1 Cash generated by operations

Surplus before fair value adjustments

**1 373 720 975**

1 399 045 843

Adjusted for:

Depreciation of property and equipment

**2 225 780**

2 480 000

Provision for impairment

-

102 155 850

Loss on sale of fixed assets

**16 956**

-

Net surplus for the year before working capital changes

**1 375 963 711**

1 503 681 693

Movement in accounts and arrear contributions receivable

**(80 013 704)**

(899 507)

Movement in accounts and benefits payable

**8 683 158**

55 745 655

**1 304 633 165**

1 558 527 841

### 16.2 Cash and cash equivalents

Bank balances and cash (Refer note 12)

**63 237 166**

129 769 370

Money market and short term securities (Refer note 13)

**646 758 969**

414 805 671

Closing balance

**709 996 135**

544 575 041

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2022 (continued)*

### 17. Financial position of the Fund

The Fund was actuarially valued by Bernard Yen of Aon Hewitt Actuarial. In terms of their report dated 16 May 2022 the valuation of the Fund as at 1 April 2022 reflected the following:

#### *Past service*

The funding level was 80.2% resulting in a deficit of E7 498 million.

The contribution rate, after adding an allowance for expenses, required to support the level of benefit expected to accrue over the next year was 26.9%.

#### *Future service*

The additional contribution rate required to eliminate the past service shortfall over the future service of current members over the next 15 years was 10.1% of pensionable emoluments.

The total required contribution rate including that required to Fund the deficit was therefore 37.0%.

### 18. Capital commitments

	2022 E	2021 E
Authorised	772 292 265	1 265 197 410

#### 18.1 Residential Flats

The Fund in 2019 approved an investment plan for the development of residential flats. The project will be financed from the Fund's own resources and was still in progress during the 2022 financial year. The development will be completed in 2023.

### 19. Employees

The average number of employees during the financial year was 58 (2021: 56).  
Employment costs amounted to E50 027 826 (2021: E39 315 862).

### 20. Pension and other retirement benefits

The Fund and its employees contribute to a separately administered defined contribution plan (The Public Service Pensions Fund Staff Pension Scheme). Contributions are based on a percentage of pensionable earnings. The assets of the plan are held in a separate independently administered fund. Contributions to this fund are charged to the revenue account.

An accrual has also been made for benefits, payable on retirement or retrenchment amounting to E8 212 759 (2021: E7 108 857).

## 21. Related parties

In considering each possible related-party relationship, the Fund analyses the substance of the relationship and not merely the legal form.

For the purposes of the above analysis the Fund has determined that relationships with entities controlled by either the Employer or the nominated foreign and local fund managers are not deemed to be related parties, as the Fund does not exercise control over those entities.

Additional disclosures on investments are included in the Trustees reports and income and expenditures disclosed in notes 2 and 3 include amounts received and/or paid to entities controlled by the employer and nominated foreign and local fund managers.

The Fund holds significant equity investments as detailed in note 8.2. Even though the Fund has effective control or exercises significant influence over these entities, they have not been consolidated or equity accounted because the Fund's accounting policy election is that it is not the business of the Fund to acquire equity investments for control purposes.

In certain instances the Fund has advanced amounts to controlled entities on terms and conditions similar to advances to non-related entities. (Refer note 8).

The following income was received from related entities during the course of the year:

	2022 E	2021 E
Dividends received	77 461 921	53 188 778
Interest received	53 083 602	77 135 42
Share of rental income received	11 287 703	8 861 655

Executive management consists of the Chief Executive Officer, Director Finance, Director Corporate Services, Director Operations, Director Information Technology, Director Internal Audit and Risk and the Director Investments.

Fees, allowances and expenses of the Board of Trustees and committees was E2 934 562 (2021: E1 801 703).

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2022 (continued)*

### 22. COVID-19

In March 2020, the Government of Eswatini invoked Section 29 of the Disaster Management Act of 2006 and declared a national emergency imposing a partial lockdown in the country. The effect of this decision was disruption in business operations and a significant increase in economic uncertainty. The partial lockdown regulations implemented by the Government of Eswatini categorised the Fund as an essential industry and it has therefore been able to continue with its normal operations, albeit implementing a best practice COVID-19 risk avoidance strategy. Management actively monitors and responds to the constant changes in the external environment so as to ensure that the Fund emerges as a going concern post the COVID-19 era.

The COVID-19 pandemic has impacted the asset growth of the Fund. To mitigate the effects of the pandemic, we extended relief to our clients who were impacted by the pandemic. These facilities are ring-fenced and their performance is closely monitored. A business continuity plan has been put in place to ensure that business operations can continue uninterrupted. The Fund has implemented preventative measures across the business to ensure the safety of our staff and clients. Management continues to monitor and evaluate the COVID-19 response strategies in place and adjusts them in line with the ever-changing environment. Based on this, the directors' are of the view that the business will continue to operate as a going concern.

### 23. Going concern

The annual financial statements have been prepared on a going concern basis, which assumes that the Fund will be able to meet the mandatory repayment terms of the liabilities disclosed in the Statement of Financial Position.

The Fund has recognised a surplus of E2 738 690 400 for the year ended 31 March 2022 and, as at that date, total assets exceed total liabilities by E30 294 422 447 (2021: E27 555 732 047). Management has a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future.

### 24. Subsequent events

There have been no events that have occurred subsequent to year end which require adjustment or disclosure in the financial statements.

Management are monitoring the impacts of the war in Ukraine and pro-actively balance portfolios where necessary. The Fund has no significant exposure to investments in Ukraine or Russia.







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