



National Pension Scheme Authority (NAPSA) 2025 Ceiling Update

March 2025

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2025 National Pension Scheme Authority Monthly Pension Contribution Ceiling

The National Pension Scheme Authority (“NAPSA”) conducts an annual review of the contribution ceiling for both employers and employees. This ceiling represents the maximum contribution amount derived from an employee’s gross earnings and is adjusted each year based on changes in the National Average Earnings, as reported by the Zambia Statistics Agency.

The objective of this adjustment is to ensure that contributions remain fair and proportional to the overall wage growth in the economy and is crucial for maintaining the sustainability and adequacy of the pension scheme.

On 7 January 2025, NAPSA published a notice indicating a revision in the monthly

contribution ceiling from ZMW 2,981.60 to ZMW 3,416.40, effective from January 2025. This represents an increase of approximately 14.6% from the previous year’s total contribution ceiling.

The total contribution comprises ZMW 1,708.20 from the employee and ZMW 1,708.20 from the employer. This notwithstanding, the total contribution rate remains at 5% of the employee’s monthly gross earnings deducted from the employee and 5% of the employee’s monthly gross earnings contributed by the employer, subject to the above ceiling.

Our analysis of the yearly contribution ceiling revisions indicates that there has been an increase each successive year. The table below shows the yearly increase:

| Year | Monthly Ceiling (ZMW) | Percentage Increase |
|------|-----------------------|---------------------|
| 2020 | 1,149.60 | 1% |
| 2021 | 1,159.40 | 5% |
| 2022 | 1,221.80 | 10% |
| 2023 | 1,342.00 | 11% |
| 2024 | 1,490.80 | 11% |
| 2025 | 1,708.20 | 14.6% |



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This brief analysis of recent years shows that the average earnings in Zambia have been increasing over the years and continue to do so.

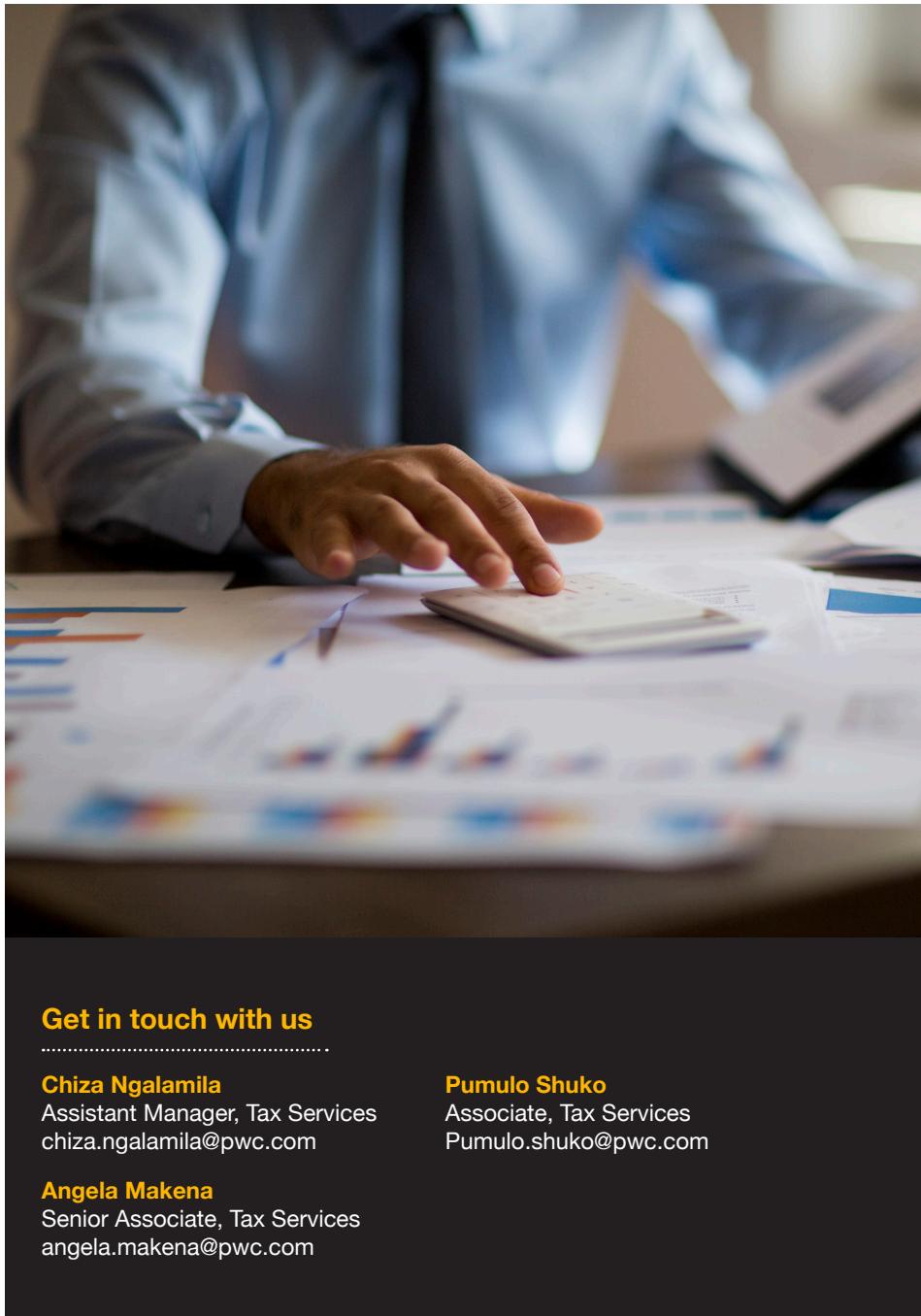
Economic Impact

The long-term effect of the increase in the ceiling is the enhancement of the funds available for investment within the pension fund. Ultimately, contributing members will benefit from higher retirement packages due to an increase in the amount of monthly NAPSA contributions. These are some of the positive impacts of the ceiling increase.

However, an adverse effect of this increase is the reduction in net pay for contributing members. In 2025, contributing members who earn ZMW 34,164 will experience a decrease in their net pay due to the rise in the NAPSA ceiling. Given the current inflation rate, which stands at 16.7%, driven by higher prices for both food and non-food items, contributing members will minimally feel the negative impact of the reduction in their income.

Compliance

Earnings for NAPSA purposes include: basic pay, all allowances (housing, cost of living, shift allowances, etc.), overtime, gratuity, bonus, commission, leave pay, and benefits in kind. NAPSA returns and payments are due on the 10th day of each month. The National Pension Scheme(Amendment) Act, 2022, guides that late submissions and payments are subject to penalties at the rate of 10% for each month or part thereof that the payment is late.



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