

# Retirement Benefits Authority

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Annual Report & Financial Statements 2015  
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# Corporate Information

The Authority is a State Corporation established under Section 3 (1) of Retirement Benefits Act 1997.

## Board of directors

Mr. Kanyi Gachoka	Chairman
Principal Secretary	
Mrs. Thamuda Omar Hassan	Member
Mr. Jacob N Onkunya	Member
Mr. Sammy Makove	Member
Mr. Paul Muthaura	Member
Mr. Cleopas Agingu	Member
Ms. Agnes Nyaguthie	Member
Dr. Edward Odundo	Member & CEO

## Registered Office

Rahimtulla Tower, 13th Floor, Upper Hill Road  
P. O. Box 57733 – 00200 Nairobi  
Tel: +254-20-2809000  
Fax: +254-20-2710330  
Mobile: +254 -0722-509939  
Mobile: +254-0735-339132  
E-mail: [info@rba.go.ke](mailto:info@rba.go.ke)  
Website: [www.rba.go.ke](http://www.rba.go.ke)

## Bankers

Kenya Commercial Bank Ltd  
Milimani Branch,  
NSSF Building, Bishops Road  
P. O. Box 48400 – 00100 Nairobi

NIC Bank  
Head Office  
NIC House, Ground Floor,  
P.O. Box 44599 – 00100 Nairobi  
Tel 254-020-288-8208  
Fax 254-020-288-8513

## Auditors

Auditor General  
Kenya National Audit Office  
P.O Box 30084 – 00100 GPO  
Nairobi

## Principal Activities

- (a) Regulate and supervise the establishment and management of retirement benefits schemes;
- (b) Protect the interests of members and sponsors of retirement benefits sector;
- (c) Promote the development of the retirement benefits sector;
- (d) Advise the Cabinet Secretary, The National Treasury on the national policy to be followed with regard to the retirement benefits industry and implement all government policies relating thereto.

# Board of Directors



**Dr Kamau Thugge**  
Principal Secretary,  
The National Treasury  
Year of Birth – 1956  
Education – BA (Econ), MA (Econ),  
and Ph.D in Economics.



**Mr Kanyi Gachoka**  
Chairman  
Year of Birth – 1968  
Education – LL.B, Advocate of the  
High Court



**Dr Edward Odundo, MBS**  
Chief Executive Officer, RBA  
Year of Birth – 1958  
Education – FCPA, FCPS, FKIM,  
BSc, MSc (Business Administration),  
Ph.D (Strategic Management)



**Mr Cleopas Agingu**  
Year of birth – 1969  
Education – Bachelor of  
Education



**Mrs Thamuda Omar Hassan**  
Year of Birth – 1953  
Education – BA Economics &  
Sociology



**Mr Sammy Makove**  
Chief Executive Officer, IRA  
Year of Birth – 1959  
Education – Bachelor of Commerce,  
Masters in Psychology



**Mr Jacob Onkunya**  
Year of Birth – 1952  
Education – MBA, B.A (Economics)



**Ms Agnes Nyaguthie**  
Year of Birth – 1968  
Education – MBA



**Mr Paul Muthaura**  
Year of Birth – 1978  
Education – Bachelor of Laws,  
Masters in Banking  
and Finance Law.

# Management Team



**Mr Nzomo Mutuku**  
On Secondment to National Treasury  
as Financial Sector Adviser.  
BA, MA - Economics.



**Dr Edward Odundo, MBS**  
Chief Executive Officer.  
BSc., MBA, PhD, FCPA,  
FKIM, FCPS.



**Mr Gordon Bulinda**  
Chief Manager, Human Capital.  
Development & Administration  
BEd, PGD, MBA.



**Ms Elizabeth Waruingi**  
Manager, Internal Audit & Risk Mgt.  
BA, MBA, CPA, CIA, CISA, CRMA.



**Ms Rose Kwena**  
Chief Manager, Corporate  
Communications.  
BA, PGD, MSc.



**Dr. Alfred Shem Ouma**  
Chief Manager, Research & Strategy  
BA (Econ.), MA (Econ.), PhD (Econ.)



**Mr Jesse K. Kiptim**  
Chief Manager, Finance  
MBA, CPA-K.



**Ms Anne Mugo**  
On Secondment to National Treasury  
as Director of Pensions.  
BCom, MBA, ACII.



**Mr Charles Machira**  
Chief Manager, Supervision  
BSc, MSc.



**Mr Dennis Abuya**  
Manager, ICT  
(BSc, MSc, MBA, CISA)

## The Board of Directors

The management of the Retirement Benefits Authority vests in the Board of Directors constituted under section 6 of the Retirement Benefits Act. The Board comprises of nine (9) directors, five (5) of whom are independent non-executive members who bring a wealth of experience on matters relating to the administration of pension funds, banking, insurance, law and actuarial studies. A Chairman is appointed from among these independent members. The remaining four (4) members are: the Chief Executive Officer who is responsible for the day to day management of the affairs of the Authority, the Principal Secretary in the National Treasury, the Commissioner of Insurance and the Chief Executive of the Capital Markets Authority.

The activities of the Board are guided by a Board Charter which outlines the manner in which board powers and responsibilities will be exercised and discharged. The Board in its operations ascribes to the internationally recognized principles of corporate governance. The Board defines the Authority's corporate strategies vital to the achievement of its objects and functions as set out under section 5 of the Retirement Benefits Act. The Board is conferred upon the necessary powers for the performance of its function in section 7 of the Retirement Benefits Act.

## Committees of the Board

The Board has established six (6) principal Committees each with its own charter. The individual charters set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, the procedure for appointment and removal of a member and the procedure for reporting to the Board. The committees facilitate efficient decision making of the Board in the discharge of its statutory duties and responsibilities.

### Finance and Administration Committee

The membership of this Committee is comprised as follows:

- a) Agnes Nyaguthie (Chairperson)
- b) Sammy Makove
- c) Thamuda Omar Hassan (Term ended 30<sup>th</sup> March, 2015)
- d) PS, Treasury / Alternate Dr. Geoffrey Mwau
- e) Inspector General (Corporations) Rep. Theodora Gichana
- f) Inspector General (Corporations) Rep Mr. Maingi M'Inoti ( from 1<sup>st</sup> June 2015)

The committee held three (3) regular meetings and three (3) special meetings in the year under review.

### Technical Committee

The membership of this Committee is comprised as follows:

- a) Sammy Makove(Chairman)
- b) Cleopas Agingu
- c) Jacob N. Onkunya (Term ended 30<sup>th</sup> March, 2015)
- d) PS, Treasury / Alternate Dr. Geoffrey Mwau
- e) Inspector General (Corporations) Rep. Theodora Gichana (until 31<sup>st</sup> May, 2015)
- f) Inspector General (Corporations) Rep Mr. Maingi M'Inoti ( from 1<sup>st</sup> June 2015)

The committee held four (4) regular one (1) special meetings in the year under review.

### Audit and Risk Committee

The membership of this Committee is comprised as follows:

- a) Jacob Onkunya (Term ended 30<sup>th</sup> March, 2015) (Chairman)
- b) Cleopas Agingu
- c) Paul Muthaura
- d) PS, Treasury / Alternate Dr. Geoffrey Mwau
- e) Inspector General (Corporations) Rep. Theodora Gichana (until 31<sup>st</sup> May, 2015)
- f) Inspector General (Corporations) Rep Mr. Maingi M'Inoti ( from 1<sup>st</sup> June 2015)

The Committee held four (4) regular meetings in the year under review.

### Corporate Governance Committee

The membership of this Committee is comprised as follows:

- a) Thamuda Omar Hassan (Term ended 30<sup>th</sup> March, 2015) (Chairlady)
- b) Paul Muthaura
- c) Agnes Nyaguthie
- d) PS, Treasury / Alternate Dr. Geoffrey Mwau
- e) Inspector General (Corporations) Rep. Theodora Gichana (until 31<sup>st</sup> May, 2015)
- f) Inspector General (Corporations) Rep Mr. Maingi M'Inoti ( from 1<sup>st</sup> June 2015)

The committee held two (2) regular meetings in the year under review.

## Committees of the Board... continued.

### ICT Committee

The membership of this Committee is comprised as follows:

- a) Paul Muthaura (Chairman)
- b) Thamuda Omar Hassan (Term ended 30<sup>th</sup> March, 2015)
- c) Agnes Nyaguthie
- d) PS, Treasury / Alternate Dr. Geoffrey Mwau
- e) Inspector General (Corporations) Rep. Theodora Gichana (until 31<sup>st</sup> May, 2015)
- f) Inspector General (Corporations) Rep Mr. Maingi M'Inoti ( from 1<sup>st</sup> June 2015)

The committee held two (2) regular meetings in the year under review.



# The Chairman's Statement



Total Industry assets grew by **5.1** percent in the second half of the year 2014 to stand at **Kshs.788.15** billion as of December 31<sup>st</sup> 2014. Compared to last year, December 2013, the assets under management have grown by 13.1 percent from **Kshs.696.68** Billion to **Kshs.788.15** Billion. The amount was composed of the **Kshs.681.29** billion held by the fund managers and insurance issuers, **Kshs.61.83** billion internally administered by National Social Security Fund (NSSF) and an additional **Kshs.45.02** billion of property investments directly managed by scheme trustees. The assets under fund management included **Kshs.79.6** billion of NSSF funds externally managed by the 6 contracted managers. Similar to other periods, Government Securities and Quoted Securities had the majority of investments with the two accounting for **57 percent** of total assets under management.

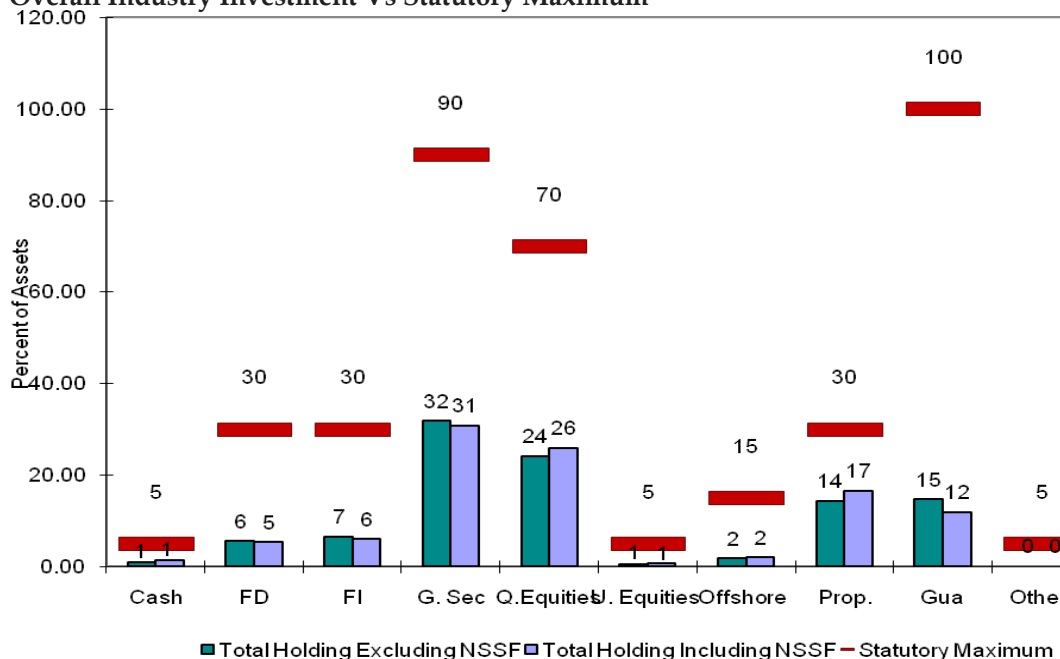
The table below provides more details on how investments were made in the different asset classes. In the period under review, there was a marked growth across all asset classes especially in the fixed income and guaranteed funds asset classes at 40% and 11%, respectively. Investments in the unquoted securities also increased as a result of new investments in this asset class.

## Overall Industry Investment Portfolio (Billion's)

		December 2013		June 2014		December 2014		Change June- Dec. 2014
		Kshs	%	Kshs	%	Kshs	%	% Change
1	Government Securities	235.16	33.75	239.04	32	241.97	31	1.22
2	Quoted Equities	177.41	25.47	198.73	26	203.73	26	2.51
3	Immovable Property	119.84	17.20	127.52	17	130.39	17	2.25
4	Guaranteed Funds	71.46	10.26	84.65	11	94.09	12	11.15
5	Fixed Income	30.38	4.36	33.23	4	46.52	6	40.01
6	Fixed Deposits	34.17	4.91	38.05	5	41.47	5	8.99
7	Offshore	15.29	2.19	14.57	2	14.68	2	0.74
8	Cash	9.03	1.30	10.35	2	10.74	1	3.74
9	Unquoted Equities	3.94	.57	3.90	1	4.55	1	16.72
10	U Classified/Others	0	0	0	0	0.01	0	
	<b>TOTAL</b>	<b>696.68</b>	<b>100</b>	<b>750.04</b>	<b>100</b>	<b>788.15</b>	<b>100</b>	<b>5.08</b>

On average, all categories of investment were within the statutory investment limits provided in the Retirement Benefits Regulations.

**Overall Industry Investment Vs Statutory Maximum**



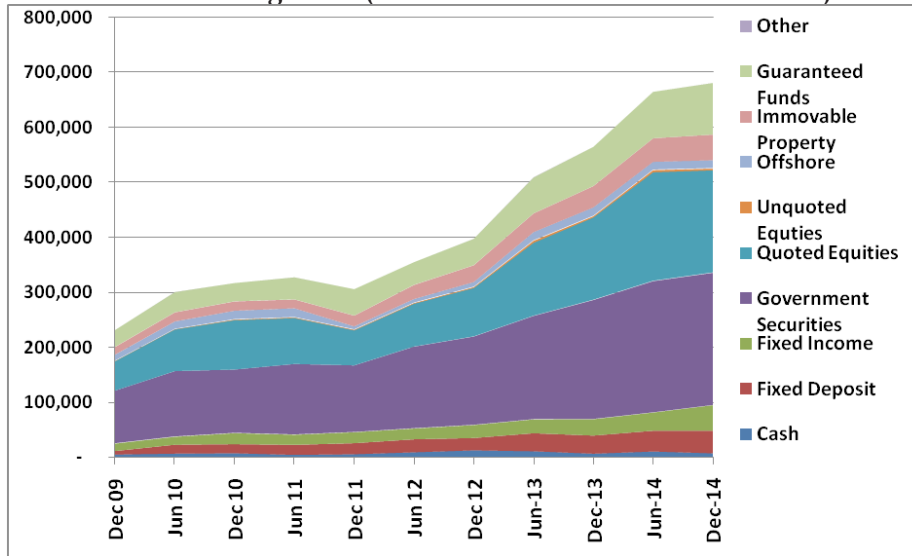
During the period under review, the overall scheme breach status was 22% with 104 out of the 469 segregated schemes being in breach. Compared to previous periods the breaches have been consistent with investments in short term and fixed deposits having the most number of breaches with 52 and 26 breaches representing 69 percent of the total breaches.

A comparative breach status from December 2013 to date shows that the overall comparative breaches has continually improved by 1% over the 1 year period with only 114 breaches across the different asset classes. However, there were changes in the distribution of breaches amongst asset classes with noted increases in the schemes breaching the property asset class.

**Assets Held By Fund Managers And Insurance Issuers**

For the period ending December 2014, 14 fund managers and 3 insurance issuers, submitted 1297 scheme reports with a total fund value of Ksh.681.29 billion. This is an increase of 8.5 percent of the total fund value from the Ksh.628.18 billion registered in June 2014. Over the one year period the asset fund value has increased by 20.6 percent from Kshs.564.82 billion recorded in December 2013. The decline in the growth of the industry assets can be attributed to the poor performance of the bourse and the changing interest rates in the market that have affected the debt instruments.

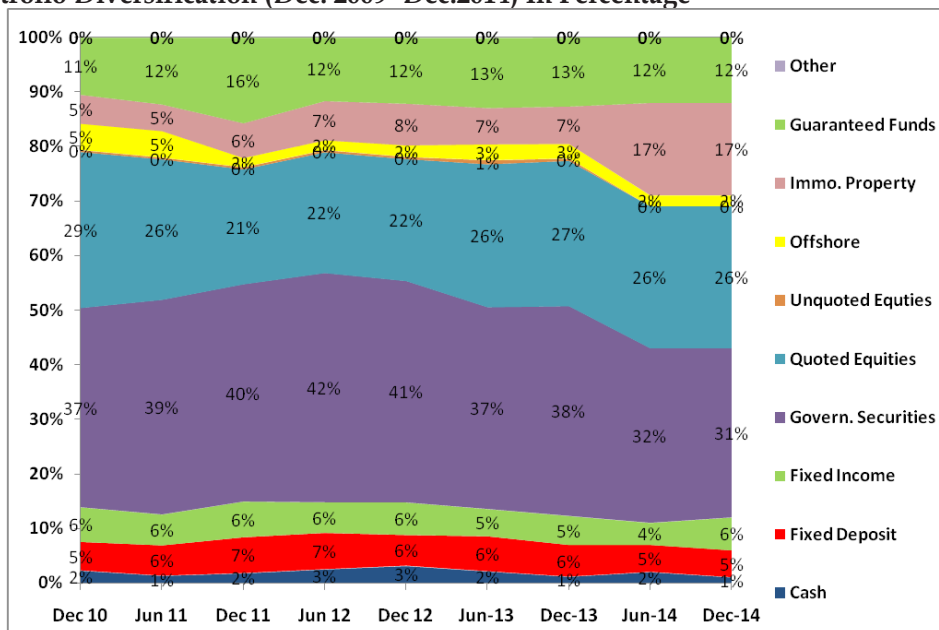
**Assets Under Fund Management (Dec. 2009-Dec.2014 In Kshs. Millions)**



Asset portfolio diversification remained similar to previous periods with only a marked growth in the fixed income securities and funds invested in the guaranteed funds. The increase in investments in fixed income securities is as a result of floating of bonds in the market that included Britam, CIC, NIC, EABL and Centum Investments. The investment in this asset classes saw an increase of 2 percent from the initial 4 percent recorded in June 2014.

Due to the rising interest rates offered by banks in the first half of the year, there was a notable decline of investments in treasury bills that ultimately have reduced the percentage investments in government securities from 32 percent in June 2014 to 31 percent in December 2014. The trend of portfolio diversification remained the same in all other investment asset classes as depicted in the table below.

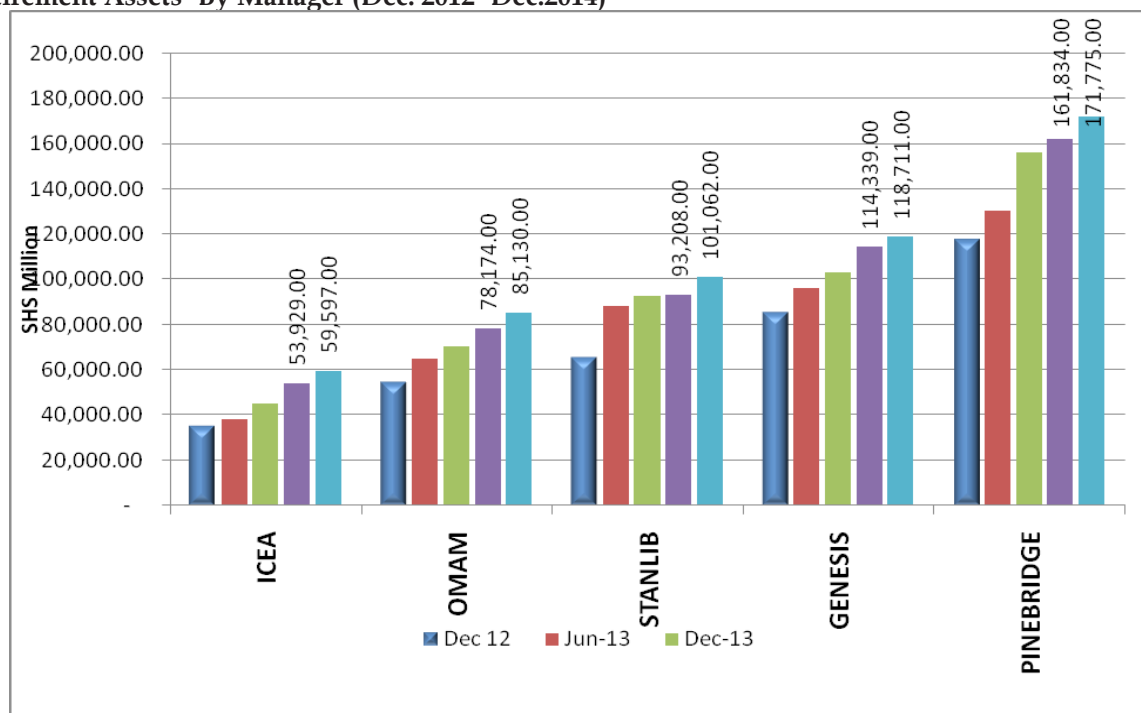
**Portfolio Diversification (Dec. 2009- Dec.2014) In Percentage**



The number of schemes under management increased by 23 schemes to 1297 registered schemes as at December 2014. 468 were segregated schemes and 829 were guaranteed funds managed by fund managers and insurance issuers respectively. Pinebridge Investments is the manager with the largest assets under management with total assets under management at Kshs.171.8 Billion, 24 percent of the

total assets under fund management. Compared to previous periods top tier fund managers (Pinebridge Investments, Genesis Kenya, Stanlib Investment Kenya, OMAM Asset Managers and ICEA Lion) continue to manage the bulk of the investments with the total assets under management at Ksh.536.3 billion accounting for 73 percent of the entire assets under management. A pictorial presentation is shown below indicating each fund managers' holdings over a 2 year period from December 2012- December 2014.

#### Retirement Assets- By Manager (Dec. 2012- Dec.2014)



#### Assets Held By NSSF

For the half year period total assets of NSSF rose from **Kshs.137.98 billion** in June 2014 to **Kshs.141.44 billion** in December 2014 representing a 2.5 percent growth in the total fund. Of this amount, **Kshs.61.8 billion** was managed in-house and **Kshs.79.6 billion** managed by registered fund managers. Over a one year period externally managed funds increased the assets by Ksh.36.2 billion or 84 percent growth from 43.4 billion reported in December 2013 to 79.6 billion in December 2014. The table below shows the distribution of the funds to the various fund managers. Stanlib investments posted the lowest increase in the funds under its management for the one year period.

#### Nssf Portfolio Of The External Managers (Dec.2013-2014)

Fund Manager	14-Dec	14-Jun	13-Dec	Year Change	% Change
PINEBRIDGE	14,962	12,917	8,001	6,961	87
OMAM	13,352	11,788	7,231	6,121	85
ICEA	13,269	11,439	6,888	6,381	93
GENESIS	13,125	11,403	6,816	6,309	93
COOP	12,652	11,467	7,188	5,464	76
STANLIB	12,246	11,821	7,249	4,997	69
<b>TOTALS</b>	<b>79,606</b>	<b>70,835</b>	<b>43,373</b>	<b>36,233</b>	<b>84</b>

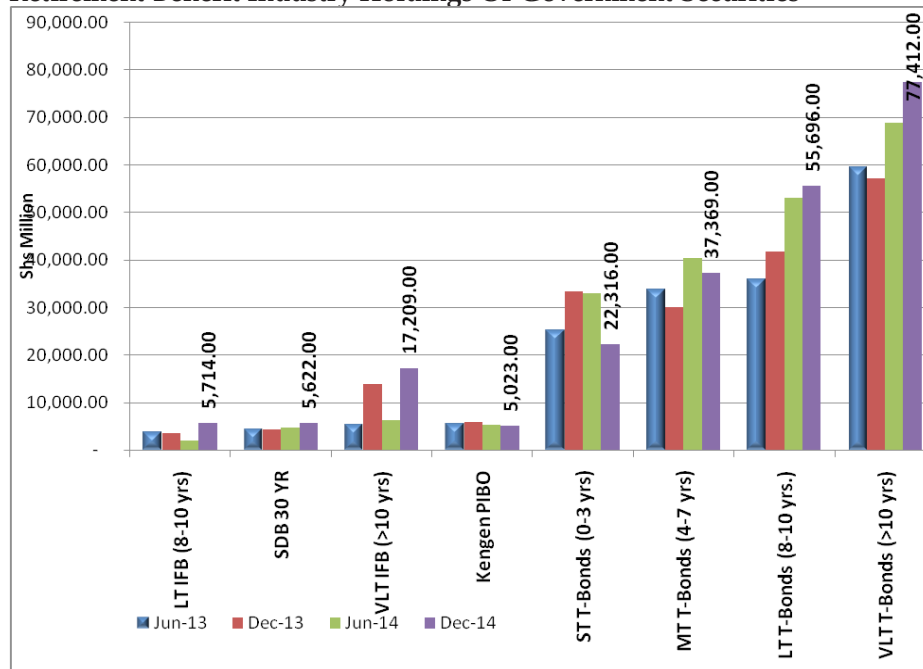
The overall portfolio was well diversified though with heavy investments in Quoted securities, immovable property and government securities at 41.8 percent, 27.3 percent and 24.8 percent, respectively. The portfolio allocation is in compliance with the investment guidelines.

#### Retirement Benefits Industry Investment In Government Securities

Similar to other periods, government securities accounted for the largest portion of overall investments at

33 percent of the total assets under management. The industry total holdings in government securities increased by 3.5 billion from Kshs.238.5 billion reported in June 2014 to Kshs.242 billion in December 2014. Over a one year period investments in this asset class increased by 11.4 percent from 217.2 billion reported in December 2014. Schemes invested in longer term government securities with most fund managers investing in bonds with maturity rates of more than 10 years and between 8 to 10 years as highlighted in the table.

**Retirement Benefit Industry Holdings Of Government Securities**

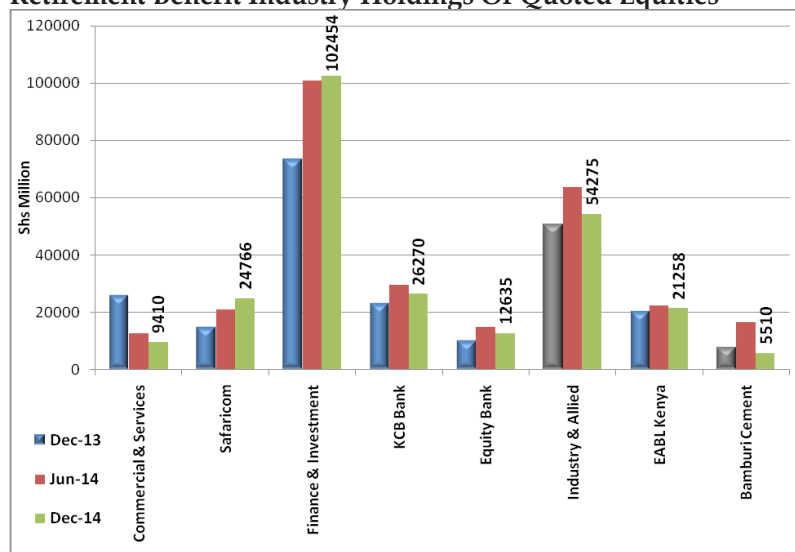


**Retirement Benefits Industry Investment In Quoted Equities**

Investments in quoted securities are the second largest with the total investments accounting for 26 percent of the total assets under management. Investments in this asset class rose by 14.8 percent from 177.4 billion in December 2013 to 203.73 billion in December 2014. There was a slow increase in the investments in this asset classes exuberated by bearish market that has seen most counters in the exchange losing in value, especially in the final quarter of the year 2014.

Schemes invested in 59 counters with majority investments in the Banking, Manufacturing and allied, Telecommunication & Technology and Construction counters all accounting for 86.2 percent of investments in quoted equities. However, the most stocks held by schemes were Kenya Commercial Bank, Safaricom Limited, East African Breweries Limited and Equity Bank at Kshs.26.3 billion, Kshs.24.8 billion Kshs.21.3 billion and Ksh.12.6 billion respectively as represented in the table below.

### Retirement Benefit Industry Holdings Of Quoted Equities

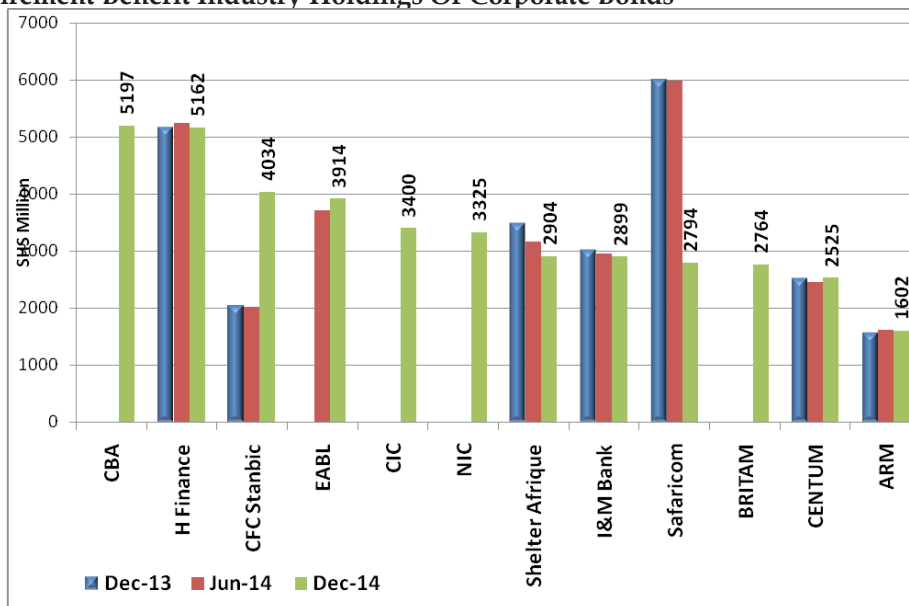


### Retirement Benefits Industry Investment In Corporate Bonds

Investments in this asset class increased the most in the period under review. Investment in this asset class has increased by 40 percent, from Kshs.33.1 billion in June 2014 to Kshs.46.5 billion in December 2014. Over a one year period a similar trend has been experienced with investments increasing by Kshs.16.1 billion, 53 percent increase from December 2013 to December 2014.

The increase in this asset class has been as a result of new corporate bond issues during the year in review. From the EABL bond issue that saw schemes invest up to Kshs.3.7 billion to the current issues of C.B.A, C.I.C, Britam, U.A.P and Centum investments that attracted more than 18 billion of pension funds, there has been a continuous investment in this asset class. In terms of the total assets under management, investments in this asset class surpassed fixed deposits to stand at 6 percent of the total funds under management. The table below depicts the commercial papers that majority of the schemes have invested in.

### Retirement Benefit Industry Holdings Of Corporate Bonds



### Individual Retirement Benefits Schemes Sector

The membership and assets of individual retirement benefits schemes also continued to grow considerably.

The membership grew from 113,316 members in December 2013 to 127,475 and 144,680 members in June and December 2014, respectively. In the one year period the assets have grown from 17.4 billion to 22.9 billion representing a 31 percent asset growth. A significant part of the growth in membership of this sub sector has emanated from the Blue MSME's Jua Kali Retirement benefits schemes popularly known as the "Mbao Pension scheme" which targets the informal sector. The scheme had 66,228 members as at December 2014 which represents 45.8 percent of the total membership in individual pension plans. However, in terms of assets, the largest individual pension plan is Jubilee Individual pension plan with a membership of 17,000 members and a total value of Kshs.5.6 billion as at December 2014.

#### Individual Retirement Benefits Schemes Data In Kshs.bn (June 2010- December 2014)

	Total Membership	Total Assets	Contributions (6 Months)	Benefits Paid out (6th Months)	Transfers In (6 Months)	Transfers Out/ Withdrawals (6th Months)
Jun-10	25,289.00	7.00	1.70	0.60	0.60	0.08
Dec-10	38,608.00	9.10	2.20	0.40	1.10	0.50
Jun-11	43,737.00	8.60	2.10	1.40	0.60	0.07
Dec-11	61,240.00	11.00	2.60	0.80	0.90	0.70
Jun-12	75,402.00	12.10	3.20	1.90	0.50	0.30
Dec-12	88,509.00	13.60	3.20	1.00	0.90	0.90
Jun-13	103,978.00	16.58	2.65	1.37	0.82	0.29
December 2013	113,316.00	17.40	2.79	1.25	0.86	0.34
June 2014	127,475.00	20.56	3.37	1.52	0.71	0.59
December 2014	144,640.00	22.93	5.20	1.43	1.04	1.87

#### Industry Exposure To A Single Entity

Other than the government of Kenya, the retirement benefits industry has also invested heavily in Cash, Fixed Deposits, Fixed Income securities- Corporate Bonds/Papers and Quoted Equities. In this analysis, industry exposure is the overall exposure to a single entity of more than 1 percent of the total assets under management. There were 12 entities that had an exposure of more than 1 percent of total assets under management with Kenya Commercial Bank, Safaricom Limited, East African Breweries Limited and Equity Bank having the highest exposures as illustrated below.

#### Retirement Benefits Industry Overall Exposure To Single Entity As At December 2014, Figures In Kshs.million

SPECIFIC ENTITIES	Amount Invested					As a Percentage of overall Industry Assets
	Cash	Deposits	Bonds	Shares	Total	
Kenya Commercial Bank	1,092.00	5,684.00		26,270.00	33,046.00	4.52
Safaricom			2,794.00	24,766.00	27,560.00	3.77
EABL			3,914.00	21,258.00	25,172.00	3.44
Equity	1,641.00	2,154.00		12,635.00	16,430.00	2.25
Co-op Bank	600.00	5,696.00		9,713.00	16,009.00	2.19
NIC Bank	618.00	3,195.00	3,325.00	7,393.00	14,531.00	1.99
DTB	196.00	2,172.00		11,938.00	14,306.00	1.96
Standard Chartered	844.00	4,091.00		8,781.00	13,716.00	1.88
Housing Finance	495.00	3,532.00	5,162.00	934.00	10,123.00	1.39
Barclays Bank	91.00	2,309.00	1,410.00	5,466.00	9,276.00	1.27
CFC Stanbic	234.00	37.00	4,034.00	3,943.00	8,248.00	1.13
BAT				8,066.00	8,066.00	1.10
TOTAL FM AUM'S				100.00	730,820.00	

# The Chief Executive Officer's Statement

## Supervision

The supervisory functions of the Authority are clearly set out under section 5 of the retirement benefits act; 1997.

The core business orientates around;

- Registration of retirement benefits schemes
- Registration of service providers, namely administrators, fund managers and custodians
- Supervision and enforcement of the Retirement Benefits Act, 1997

Currently the Authority has registered one thousand three hundred and forty (1340) pension schemes and provident funds. To support growth of the industry and good governance practice in the management of pension assets, the authority

licensed professional service providers to support Trustees of Retirement Benefits Schemes on Scheme administration, fund management and custody of scheme assets. In the financial year the Authority registered (30) administrators, (20) fund managers and (11) custodians.

To sustain a robust supervision of the industry the Authority adopted the Risk Based Supervision (RBSS) model from 2010 and this has gone a long way to assist the Authority in optimizing its resources by giving weighted focus on schemes which have challenges in meeting our requirements while at the same time reducing the intensity of supervision to schemes which are compliant with the provisions set out under the RB Act.

Further the RBSS model of supervision has enabled the Authority to adopt a proactive approach to supervision thus enabling early interventions to retirement benefits schemes under any distress. To support the RBSS model the Authority has integrated IT systems with service providers with a view of enhancing communication with service providers. We are proud to report that the ICT plat form supporting the RBSS model has been fully launched and more than 80% of the submissions are now online.

Looking forward the Authority aims to enhance its facilitative role in the regulated entities towards hastening on timely and accurate responses in order to ensure that at all times the interest of the members and employers are protected.

## Pension Education Campaign

Retirement benefits impacts the lives of all working Kenyans after they leave gainful employment. Unfortunately for Kenya, only a small percentage of its workers plan for retirement. One of the key challenges facing the sector is to increase coverage which has stagnated at about 15% of the workforce. In this regards, RBA has continued to undertake research driven multi-faceted Public Education campaigns to educate Kenyans on the importance of saving for retirement and the channels available for saving, encourage employers to establish pension schemes for their employees and urge the Kenyan citizenry to sign up for pension. In 2014/2015, RBA implemented a "Call-to-Action" campaign with testimonial messages that were designed based on communication gaps identified in the 2013 end line survey. The testimonials were disseminated through vernacular FM radio stations and TV channels. In July 2014, RBA commissioned IPSOS Synovate to carry out an end line baseline index survey to identify the current knowledge, attitude and behavior of Kenyan workers with regards to saving for retirement. The research findings revealed that the baseline index on the level of awareness for retirement saving was at 85%. This is quite high. However, only 14% of working Kenyans are saving through a pension scheme.

The findings of IPSOS Synovate Endline survey confirmed that awareness of Retirement benefits schemes and RBA is not an issue. According to the survey, the key barrier that RBA has to overcome is the perception of adult Kenyans that "saving for retirement is not as rewarding for their future as the investments they are making now".





**RBA Communication Strategy**

Based on the findings of the IPSOS Synovate Endline survey of 2014, the Authority has developed a new communication strategy that will encompass several interventions that will compel Kenyans to confront themselves and make them realize that they will need a back – up plan (after their land has been sold and the children have deserted them) through a “Shock Therapy” thought provoking multi-media campaign that demonstrates the consequences of not having a fall-back plan and the benefits of having one.

**Multi-media Campaign**

The Multi-media campaign will take Kenyans to the point of self-realization that after all the bills are paid, all the children are gone and all the land is sold they need to have a “Back-up-Plan” in the form of retirement saving. The campaign will have one or two messages that will capture the essence of saving for retirement and will resonate with the different target audiences in a simple, catchy phrase. It will be packaged in a creative and entertaining way to appeal to the youth, adults and the informal sector workers. The message will end with a clear “Call-to-Action” that will lead to increased pension uptake.

The campaign will also leverage the social media platforms to disseminate pension messages and target stakeholder engagement forums for different target audiences with specific messages: for example, National Government and County Governments, trade associations, media, employers, pension scheme members, professional associations, youth, informal sector groups, pension service providers and the general public.

**Informal Sector sensitization and mobilisation**

By 30<sup>th</sup> June 2015, Mbao pension scheme membership had grown to 65,301 with a fund value of Kshs. 107, 154,442. In 2015/2016, the Authority will partner with Kenya National Federation of Jua Kali Associations and Pilot 2 to reach out to some counties to sensitize and mobilize the informal sector workers.

**Employer Sensitization Programmes**

In 2014/2015, the Authority partnered with Federation of Kenyan Employers (FKE) and Kenya Medical Women’s Association to sensitize 121 employers. In 2015/2016, RBA will partner with Kenya National Chamber of Commerce & Industry to sensitize members on the importance of establishing a pension arrangement for their employees and the channels available.

**Retirement Planning Seminars**

In 2014/2015, the Authority trained 4,816 scheme members on retirement planning. In 2015/2016, the Authority will train 5,500 members. Over and above the scheduled seminars around the country, the Authority will carry out In-House seminars in large institutions and also partner with Kenya Alliance of Resident Associations to train its members on the importance of saving for retirement and the available channels for saving.

**ASK Shows**

The Authority participated at Kisumu, Mombasa, Nairobi and Eldoret under the umbrella of financial sector regulators to educate the general public on the importance of saving for retirement.

**HUMAN CAPITAL****Talent acquisition and management**

The Authority’s employees are a vital resource in the pursuit of operational excellence and the provision of quality products and services. The skills and expertise of employees drive innovation, which enables it to provide added value to its stakeholders, while enhancing supply chain logistics and reducing adverse environmental impact of its operations. The Authority regularly reviews its organisational structure to ensure that the business has the necessary optimal personnel engagement to deliver its strategic priorities. In addition, our commitment to growing our people and creating the best working environment for our staff is of critical importance.

**Building our Talent**

We continue to grow our offering of exciting talent development programmes to accelerate the growth and exposure of our next crop of leaders. Our training and development programmes focus on equipping the staff with the right functional and leadership capabilities needed for the business and personal exposure for future success. The Authority also facilitates external secondments and attachments of staff to other jurisdictions for the team to gain from the best practices and also benchmarking on pension's management.

**Building our culture**

Each year, we conduct a Values Survey to measure how well we are engaging our stakeholders and demonstrating our core business values on a daily basis across our businesses. From these surveys, we are able to prioritize our employee's activities and programmes to ensure that the staffs are super – engaged. The climate survey index is the measure of the extent to which employees are committed to our goals, believe in our values and want to give their best effort to our business.

**Staff Welfare**

The Authority continues to ensure that our workforce stays healthy through our primary health care and employee wellness programme. These initiative ensure that we have healthy staffs that are ready at all time to respond to the industry needs.

**Process Improvement and Automation**

The Authority attaches great importance to the effectiveness of its business processes and minimization of operational costs. To this end we have continued to rationalize and improve our Quality Management System operating procedures by undertaking regular reviews and internal and external audits. This has enabled our continued certification to the ISO 9001:2008 Standard. To assure operational efficiency, the Authority completed the automation of its back-office operations on an integrated platform and this is now fully in use. The integration of this platform with the recently launched IFMIS (Integrated Financial Management Information System), by the National Treasury, is ongoing.

**Risk Management and Internal Control**

The Authority has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Authority. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Authority to achieve its objectives both in the short and long term.

**FINANCIAL PERFORMANCE OF THE AUTHORITY**

The Financial Performance of the Authority for the twelve months period ended 30<sup>th</sup> June, 2015 is presented herewith in accordance with the requirement of the Retirement Benefits Act, the Public Audit Act and the International Public Sector Accounting Standards.

The Annual Accounts comprise the statements listed below on the financial performance and position of the assets and liabilities of the Authority at 30<sup>th</sup> June, 2015.

Statement of Financial Performance

Statement of Financial Position.

Statement of Changes in Net Assets.

Statement of Cash Flows.

Notes to the financial statements including any disclosures which are necessary for understanding by the users of financial statements.

The Annual Accounts shall be submitted to the controller and Auditor General after approval by the Board in accordance with the requirements of Section 21 of the Retirement Benefits Act.

## FINANCIAL STATEMENTS

### Statement of Financial Performance

This is the 17<sup>th</sup> Financial Year since inception of the Authority and the levy payable by retirement benefits schemes has been the main source of revenue.

### Income

Levy collected during the financial year was **KShs635m** compared to **KShs595m** in the prior year. This was short of target by 0.5% and was payable by schemes whose accounting periods fall between the months of July and December of the Financial Year.

The investment income was **KShs25m** compared to **KShs22m** in the prior year.

### Expenditure Statements

The operating and capital expenditure was **KShs578m** and **KShs7m** respectively compared to **KShs535m** and **KShs11m** in the previous year.

### Statement of Financial Position

#### Assets

The total assets were **KShs1,040m** compared to **KShs965m** in the prior year and the net assets were **KShs983m** compared to **KShs907m** in the prior year.

### Treasury Management

The position of the investment portfolio as at 30<sup>th</sup> June 2015 was **Kshs 274m** in Treasury Bills compared to **Kshs 303m**, with bank balances of approximately **KShs665m** compared to **Kshs 531m** in both current and deposit account balances.

The Authority, like in the previous periods, continued to invest most of its funds in 91 days Treasury Bills with some funds placed in fixed deposit accounts at the Authority's banks to meet the requirements of bank guarantees for goods and services and also to facilitate the staff house and car loan schemes.

### Cash Flow Statement

Cash flows from the operations of the Authority are detailed in the cash flow statement for the twelve months ended June 30, 2015. The cash and cash equivalent was **KShs940 m** compared to **KShs834m** in the prior year.

## OVERALL FINANCIAL PERFORMANCE

The performance of the Authority in the financial year is an excess of income over recurrent expenditure of **KShs114m** compared to **KShs123m** in the previous year.

# Statement of Directors' Responsibility

The Retirement Benefits Authority Act and Public Audit Act, no. 12 of 2003 requires the Directors to prepare financial statements for each financial year, which include a balance sheet showing in detail the assets and liabilities of the Authority, a statement of income and expenditure, and such other statements that the Directors may deem necessary. It also requires the Directors to ensure the Authority keeps proper books of account and other books and records in relation to the Authority and to all the undertakings, Funds, investments, activities and property of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Retirement Benefits Authority Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain in a going concern basis for at least the next twelve months from the date of this statement.

Chairman:



Chief Executive Officer




Date August 20, 2015

# Report of the Auditor-General

**REPUBLIC OF KENYA**

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P.O. Box 30084-00100  
 NAIROBI

**OFFICE OF THE AUDITOR-GENERAL**  
**REPORT OF THE AUDITOR-GENERAL ON RETIREMENT BENEFITS AUTHORITY**  
**FOR THE YEAR ENDED 30 JUNE 2015**

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**REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of Retirement Benefits Authority set out on pages 24 to 43, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

**Auditor-General's Responsibility**

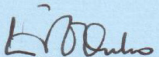
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Retirement Benefits Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Retirement Benefit Authority Act, No.3 of 1997.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**23 March 2016**

# Financial Statements

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 2015 30 JUNE

	Note	2015 (Kshs)	2014 Restated (Kshs)
<b>Revenue From Non Exchange Transaction:</b>			
Levy Income	2	635,253,354	594,563,401
		<u>635,253,354</u>	<u>594,563,401</u>
<b>Revenue From Exchange Transaction:</b>			
Investment Income on Treasury Bills	3	25,340,380	21,502,562
Other Income	4	35,581,560	42,288,923
		<u>60,921,940</u>	<u>63,791,485</u>
<b>Total Revenue</b>		<u>696,175,294</u>	<u>658,354,886</u>
<b>Expenses</b>			
Employee Costs	5	313,963,925	294,652,317
Depreciation & Amortization Expense	6	22,173,293	27,114,809
Repairs & Maintenance Expenses	7	7,299,151	6,143,826
Professional Charges	8	30,538,308	16,109,672
General Expenses	9	192,292,685	174,118,952
Finance Costs	10	335,889	356,139
Board expenses	11	15,582,887	16,791,836
<b>Total Expenses</b>		<u>582,186,138</u>	<u>535,287,549</u>
Surplus before tax		113,989,156	123,067,337
Instalment tax paid	12	(42,329,064)	(49,833,144)
<b>Surplus transferred to General fund</b>		<u>71,660,092</u>	<u>73,234,193</u>

The notes set out on pages 29 to 43 form an integral part of the Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

Assets:-		Kshs	Restated Kshs
	Note	2015	2014
<b>Current Assets</b>			
Cash and Bank Balances	13	366,357,042	255,320,754
Investments	14	274,390,000	302,981,700
Long term deposits	15	298,783,647	276,168,879
Receivables from exchange transactions	16	23,031,486	37,457,875
		<u>962,562,175</u>	<u>871,929,208</u>
<b>Non-current assets</b>			
Property, plant and equipment	17	77,863,582	93,283,971
<b>Total assets</b>		<u>1,040,425,757</u>	<u>965,213,179</u>
<b>Liabilities:-</b>			
<b>Current Liabilities</b>			
RBATrust Fund	18	8,304,274	7,845,253
Staff Benovelent Fund	18	-	1,126,350
Employee benefits obligation	19	23,447,101	17,079,100
Payable- Creditors	20	29,607,701	31,755,887
<b>Total current liabilities</b>		<u>61,359,076</u>	<u>57,806,590</u>
<b>Net assets</b>		<u>979,066,681</u>	<u>907,406,589</u>
Capital fund	21	109,357,000	109,357,000
Accumulated surplus/Reserves	21	869,709,681	798,049,589
<b>Total Equities</b>		<u>979,066,681</u>	<u>907,406,589</u>
<b>Total net assets and liabilities</b>		<u>1,040,425,757</u>	<u>965,213,179</u>

The Financial Statement set out on pages 24 to 43 were signed on 20.8.2015 on behalf of Board of Directors by:



**KANYI GACHOKA**  
CHAIRMAN



**DR. EDWARD O. ODUNDO**  
CHIEF EXECUTIVE

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Capital Fund	General Fund	Total Fund
	(KShs)	(KShs)	(KShs)
Balance as at 30 June 2013	45,457,000	718,830,769	764,287,769
Governement grant in the year	63,900,000		63,900,000
Revaluation surplus written back		5,984,627	5,984,627
Surplus For the year		73,234,193	73,234,193
Balance as at 30 June 2014	109,357,000	798,049,589	907,406,589
Surplus For the year		71,660,092	71,660,092
Balance as at 30 June 2015	109,357,000	869,709,681	979,066,681



## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		(Kshs)	REINSTATEMENT (Kshs)
Cash flows from Operating Activities	NOTE		
Net Surplus of the year		113,989,156	123,067,337
Depreciation	17	<u>22,173,294</u>	<u>27,114,809</u>
Operating surplus before working capital changes		<u>136,162,450</u>	<u>150,182,146</u>
Changes in working capital			
Decrease/(Increase) in receivable		<u>14,426,389</u>	<u>(14,806,307)</u>
Increase in payable		<u>4,219,815</u>	<u>19,683,947</u>
		<u>18,646,204</u>	<u>4,877,640</u>
Net cash flows from operating activities		154,808,654	155,059,786
Cash flows from investing activities			
Purchase of Property & Equipment	17	<u>(6,752,905)</u>	<u>(10,915,745)</u>
Net cash used in investing activities		<u>(6,752,905)</u>	<u>(10,915,745)</u>
Cash flows from financing activities			
Increase in Deposits		(22,614,769)	(42,015,972)
Income tax paid		(42,329,064)	(49,833,144)
Increase in RBA trust fund		459,021	470,027
(Decrease)/ Increase in Staff Benevolent Fund		<u>(1,126,350)</u>	<u>183,600</u>
Net cash from Financing activities		<u>(65,611,162)</u>	<u>(91,195,489)</u>
Net increase in Cash and Cash Equivalent in the year		82,444,588	52,948,552
Cash & Cash Equivalent as at the beginning of the year		<u>558,302,454</u>	<u>505,353,902</u>
Cash & Cash Equivalent as at the end of the year	14 & 15	<u>640,747,042</u>	<u>558,302,454</u>

## STATEMENT OF COMPARISON OF APPROVED BUDGET AND ACTUAL EXPENDITURE

Account	Original Budget	Revised Budget	Actual	Variance	Remarks
<b>Income</b>					
Retirement Benefits Levy	640,000,000	640,000,000	635,253,354	-4,746,646	On target
Finance Income	37,000,000	37,000,000	25,340,380	-11,659,620	Low treasury bills rate in the period
Licensing fees	3,150,000	3,150,000	3,150,000	-	on target
Other Income	23,060,000	23,060,000	32,431,560	9,371,560	Over provision ,last year accumulated reimbursement from treasury
<b>Total Income</b>	<b>703,210,000</b>	<b>703,210,000</b>	<b>696,175,294</b>	<b>-7,034,706</b>	
<b>Expense</b>					
Financial Literacy (Scheme Visit))	16,500,000	16,500,000	4,218,459	12,281,541	some activities affected by austerity measures on procurement of promotional materials
Member Education (Seminars)	20,000,000	20,000,000	19,458,947	541,053	On target
Development of Pension Education & Consumer Protection	42,000,000	42,000,000	39,850,129	2,149,871	Austerity measures as stated above.
Depreciation	22,160,598	-	22,173,293	-22,173,293	Not a cash item
Financial Charges		-	335,889	-335,889	on target ( within 10% allowable limit)
Cleaning Expenses	2,383,800	2,383,800	1,070,056	1,313,744	Failure to secure occupation of entire 4th Floor
Professional Charges	29,250,000	29,250,000	30,538,309	-1,288,309	on target ( within 10% allowable limit)
Power & Lighting	5,760,000	5,760,000	3,676,150	2,083,850	The savings was contributed by the downwards adjustment of power tariffs
Official Entertainment	2,500,000	2,500,000	2,817,831	-317,831	on target ( within 10% allowable limit)
Office Running Expenses	7,191,960	7,191,960	6,997,950	194,010	on target ( within 10% allowable limit)
Library Expenses	2,217,402	2,217,402	2,635,809	-418,407	on target ( within 10% allowable limit)
Medical Expenses	18,700,000	18,700,000	14,445,902	4,254,098	Freezing of recruitment because of parastatal reform hence the saving
Motor Vehicle Maintenance & Security	6,800,000	6,800,000	4,270,435	2,529,565	The savings was contributed by the downwards adjustment of Fuel prices.
Maintained Insure & Security of Equipment	2,620,000	2,620,000	3,028,715	-408,715	on target ( within 10% allowable limit)
Rent & Ground Rates	35,948,175	35,948,175	31,397,081	4,551,094	The budget provision was for the full occupancy of the entire 4th Floor but half it was occupied.
Personnel Emoluments	312,505,000	312,505,000	239,136,834	73,368,166	Freezing of recruitment because of parastatal reform caused the huge savings
Pension Contribution	45,350,400	45,350,400	34,593,741	10,756,659	Freezing of recruitment, parastatal reform caused the saving
Training & Development	17,500,000	17,500,000	18,159,811	-659,811	on target ( within 10% allowable limit)
Staff welfare Expenses	7,900,000	7,900,000	7,627,637	272,363	On target
Post & Telephone	8,426,000	8,426,000	7,627,659	798,341	On target
Travel & Accommodation	24,300,000	24,300,000	24,690,154	-390,154	on target ( within 10% allowable limit)
Board Expenses	15,027,000	15,027,000	15,582,887	-555,887	on target ( within 10% allowable limit)
Tribunal Expenses	9,930,000	9,930,000	4,695,812	5,234,188	Tribunal cases are now held in tribunal offices as opposed to hired venues.
Hire of Equipment	1,100,000	1,100,000	654,614	445,386	on target
Research & Development	16,170,000	16,170,000	16,401,661	-231,661	on target ( within 10% allowable limit)
Information Technology Systems	23,639,864	23,639,864	23,670,154	-30,290	on target ( within 10% allowable limit)
Printing & Stationary	4,121,680	4,121,680	2,430,218	1,691,462	The savings resulted from reduction of printing papers ( paperless initiative )
<b>Total Expenses</b>	<b>700,001,879</b>	<b>677,841,281</b>	<b>582,186,136</b>	<b>95,655,145</b>	<i>Unspent budget ( 17%)</i>
				<b>113,989,158</b>	<i>Surplus for the year</i>
Budget for non current assets	21,778,000	21,778,000	4,173,030.00	17,604,970	Freezing because of parastatal reform hence the saving

# Notes to Financial Statements

## 1. Statement of compliance and basis of preparation - IPSAS 1

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost and on accrual basis except for the levy which is accounted for on cash basis. The cash flow statement is prepared using the Indirect Method.

## 2. Summary of significant accounting policies

### a) Fees, interest and other income

Licensing fees paid by service providers and interest income from investments and deposits are accounted for on accrual basis.

### b) Budget information - IPSAS 24

The approved budget and actual expenditure are included in the Financial Statements.

### c) Taxes - IAS 12

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The Authority paid up all the instalment tax due in the year; this will change in financial year 2016, since **Public Finance Management Act (PFMA) - National Government Regulations, 2015** exempt the authority from corporate tax, instead the Authority is required to remit into Consolidated Fund (90%) of surplus reported in the Audited financial Statement after end of financial year, 2016

## Notes (Continued)

### d) Property, plant and equipment - IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The assets are depreciated on reducing balance method as follows:

Furniture and fittings	12.5%
Equipment	25%
Motor Vehicles	25 %

Gain and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining surplus for the year.

### e) Intangible assets - IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are

not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**f) Research and development costs**

The Authority expenses research costs as incurred.

**g) Financial instruments - IPSAS 29**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate.

The Authority determines the classification of its financial liabilities at initial recognition.

**h) Inventories - IPSAS 12**

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

**i) Provisions - IPSAS 19**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

The Overprovision accrued in the prior years is credited to income while under provisions are charged to income of subsequent year.

**j) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

**k) Changes in accounting policies and estimates - IPSAS 3**

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) Employee benefits - IPSAS 25**

**Retirement benefits plans**

The Authority operated a defined contribution scheme and the Authority thus had no obligation to scheme as at 30.6.2015. The assets of the scheme are managed and held by registered fund manager and custodian as per the requirement of Retirement Benefits Act, 1997.

**m) Foreign currency transactions - IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Exchange differences, are recognized as income or expenses in the period in which they arise.

**n) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest which were not surrendered or accounted for at the end of the financial year.

**o) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**p) Subsequent events - IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015,

**q) Contingent liability - IPSAS 19**

There was no contingent liability as at June 30<sup>th</sup>, 2015.

NOTE 2	Revenue From non exchange Transaction:	Note	2015 (KShs)	2014 (KShs)
	Retirement Benefits Levy	2	635,253,354	594,563,401
			<u>635,253,354</u>	<u>594,563,401</u>
NOTE 3	Revenue From Exchange Transaction:	3	2015 (KShs)	2014 (KShs)
	Investment income		25,340,380	21,502,562
			<u>25,340,380</u>	<u>21,502,562</u>
NOTE 4	Other Income:	4	2015 (KShs)	2014 (KShs)
	Service providers licensing fees		3,150,000	3,200,000
	Tribunal case registration fees		46,060	8,672
	Interest income on Bank Deposit		4,721,610	4,861,525
	Reimbursement from Seconded staff to The National Treasury		21,094,800	22,535,300
	Reimbursement from Seconded staff to Policy Holder Fund		6,528,400	8,771,050
	Insurance Claim Refund		40,690	551,939
	Miscellaneous		-	2,360,437
			<u>35,581,560</u>	<u>42,288,923</u>

**NOTE 5 Employee Costs**

	2015	2014
	(KShs)	(KShs)
Medical Expenses	14,445,902	11,775,598
Personnel Emoluments	239,136,834	228,546,134
Pension Contribution	34,593,741	32,151,553
Training and development	18,159,811	15,621,962
Sports and staff welfare	7,627,637	6,515,070
Uniforms	-	42,000
	<u>313,963,925</u>	<u>294,652,317</u>

**NOTE 6 Depreciation & Amortization Expense**

	2015	2014
	(KShs)	(KShs)
Depreciation	<u>22,173,293</u>	<u>27,114,809</u>
	<u>22,173,293</u>	<u>27,114,809</u>

**NOTE 7 Repairs & Maintenance of equipment and furniture**

	2015	2014
	(KShs)	(KShs)
Motor Vehicle Maintenance & Security	4,270,435	4,027,191
Maintenance Insur & Security of Equipment	2,249,812	1,699,638
Partitioning & Repairs	778,904	416,997
	<u>7,299,151</u>	<u>6,143,826</u>

**NOTE 8 Professional Charges**

	2015	2014
	(KShs)	(KShs)
Professional Charges	29,784,308	15,359,672
Audit Fees	754,000	750,000
	<u>30,538,308</u>	<u>16,109,672</u>

## NOTE 9 General Expenses

	2015	2014
	(KShs)	(KShs)
Pension Industry Development	63,527,536	55,407,505
Cleaning Expenses	1,070,056	1,732,151
Power & Lighting)	3,676,150	4,409,053
Official Entertainment	2,817,831	2,501,698
Office Running Expenses	6,997,950	8,358,769
Library Expenses	2,635,809	2,145,060
Rent & Ground Rates	31,397,081	30,907,697
Post & Telephone	5,627,659	6,554,847
Travel & Accommodation	25,190,154	24,173,107
Tribunal Expenses	4,695,812	2,215,479
Hire of Equipment	654,614	789,363
Research & Development	16,401,661	17,074,869
Information Technology Systems	25,170,154	16,105,385
Printing & Stationary	2,430,218	1,743,969
<b>Total General Expenses</b>	<b>192,292,685</b>	<b>174,118,952</b>

## NOTE 10 Finance Costs

	2015	2014
	(KShs)	(KShs)
Bank Charges	335,889	356,139
	<u>335,889</u>	<u>356,139</u>

## NOTE 11 Board Expenses

	2015	2014
	(KShs)	(KShs)
Sitting Allowance	4,200,000	5,798,000
Travelling & accommodation	3,478,105	3,424,164
Board Training	4,671,551	4,315,036
Other Board Expenses	2,273,231	1,454,634
Chairman Honorarium	960,000	-
Board Bonus 2014	-	1,800,000
	<u>15,582,887</u>	<u>16,791,834</u>



## NOTE 12 Income Tax computation

	2015		2014	
	KShs.	(KShs)	KShs.	(KShs)
Profit & Loss		113,989,158		123,067,337
Add:				
Depreciation	22,160,598		27,114,808	
Donation ( Benevolent)	-		85,875	
Pension / Provident Fund costs	25,160,300		24,166,100	
Capital Item Expensed	2,332,632		10,338,374	
Increase in General Provision	671,801	50,325,331	6,671,801	68,376,958
Less:				
Wear & Tear Allowance	(21,216,820)		(22,431,195)	
Software Allowance	(1,020,429)		(1,998,520)	
Decrease in General Provision	(980,360)	(23,217,609)	(904,100)	(25,333,815)
Taxable profit/ (loss carry forward)		<u>141,096,880</u>		<u>166,110,480</u>
Tax Payable @ 30%		42,329,064		49,833,144
Tax Paid				
1ST Instalment	14,004,043		22,689,772	
2nd Instalment	14,177,706		9,000,782	
3rd Instalment	14,147,315		11,462,398	
4th Instalment	-	<u>42,329,064</u>	<u>6,680,192</u>	<u>49,833,144</u>

	2015 (KShs)	2014 (KShs)
<b>NOTE 13 Cash and Bank Balances</b>		
KCB - Milimani (Main Account)	33,358,887	68,612,665
KCB - Milimani (Revenue A/C)	321,149,537	181,153,754
Barclays Bank (Office Account)	11,848,618	5,554,335
	<u>366,357,042</u>	<u>255,320,754</u>
<b>NOTE 14 Investments</b>		
Investment in 91 Treasury Bills	274,390,000	302,981,700
	<u>274,390,000</u>	<u>302,981,700</u>
<b>NOTE 15 Long Term Deposits</b>		
RBA Rent Guarantee Deposit	4,896,534	4,896,534
KCB Car Loan Security Account	34,456,749	30,892,543
S & L Mortgage Deposits	222,325,986	205,413,637
NIC Car Loan Deposit	9,488,434	9,233,518
HFCK Mortgage Deposits	27,615,944	25,732,647
	<u>298,783,647</u>	<u>276,168,879</u>
<b>NOTE 16 Receivables from exchange transactions :</b>		
Staff on seconded to the National Treasury and Policy Holders compensation Fund	21,094,800	34,164,300
Prepayment	1,741,127	1,959,819
Provision for doubtful debts	(919,647)	(919,647)
Interest receivable on T/Bills	1,115,206	1,674,525
Interest receivable on bank deposits	-	578,878
	<u>23,031,486</u>	<u>37,457,875</u>

## NOTE 17 PROPERTY PLANT AND EQUIPMENT AT THE YEAR ENDED 30 JUNE 2015

	MOTOR VEHICLE (KShs)	OFFICE EQUIPMENT (KShs)	FURNITURE FITTING (KShs)	TOTAL (KShs)
<b>COST/VALUATIONS:-</b>				
At 1 July 2014	28,488,207	99,994,397	32,400,334	160,882,938
Additions in the year		4,959,705	1,793,200	6,752,905
At 30 June 2015	28,488,207	104,954,102	34,193,534	167,635,843
<b>DEPRECIATION:</b>				
At 1 July 2014	18,001,925	38,090,911	11,506,131	67,598,967
Charge for the year	2,621,571	16,715,798	2,835,925	22,173,294
At June 30, 2014	20,623,496	54,806,709	14,342,056	89,772,261
<b>NET BOOK VALUES:-</b>				
At 30 June 2015	7,864,711	50,147,393	19,851,478	77,863,582
At 30 June 2014	10,486,282	61,903,486	20,894,203	93,283,971

## PROPERTY PLANT AND EQUIPMENT AT THE YEAR ENDED 30 JUNE 2014

	MOTOR VEHICLE (KShs)	OFFICE EQUIPMENT (KShs)	FURNITURE FITTING (KShs)	TOTAL (KShs)
<b>COST/VALUATIONS:-</b>				
At 1 July 2013	22,506,847	31,559,012	32,001,334	86,067,193
Additions in the year	5,981,360	68,435,385	399,000	74,815,745
At 30 June 2014	28,488,207	99,994,397	32,400,334	160,882,938
<b>DEPRECIATION:</b>				
At 1 July 2013	14,506,498	17,456,416	8,521,244	40,484,158
Charge for the year	3,495,427	20,634,495	2,984,886	27,114,809
At June 30 2014	18,001,925	38,090,911	11,506,131	67,598,967

## NET BOOK VALUES:-

At June 30 2014	10,486,282	61,903,486	20,894,203	93,283,971
At June 30 2013	8,000,349	14,102,596	23,480,090	45,583,035

## NOTE 18 RBA Trust Fund

	2015	2014
	(KShs)	(KShs)
RBA Trust Fund b/f	7,845,253	7,375,226
Trust Fund paid	(137,210)	(103,148)
Additional Trust Fund Received in year	596,231	573,175
<b>Total RBA Trust Fund</b>	<b>8,304,274</b>	<b>7,845,253</b>
RBA Benevolent fund	2015	2014
	(KShs)	(KShs)
RBA Trust Fund b/f	1,126,350	942,750
Additional funds		183,600
The funds were transferred to benevolent fund bank account to be managed independently	(1,126,350)	
	-	1,126,350

## NOTE 19 Employee benefits obligation

	2015	2014
	(KShs)	(KShs)
Staff Bonus	13,087,911	11,148,800
Gratuity - Contact staff	6,410,950	4,130,300
Atutorial Staff - Reimbursement to (IRA)	3,948,240	-
Board Bonus	-	1,800,000
	<u>23,447,101</u>	<u>17,079,100</u>

## NOTE 20 Creditors and accrued provisions for goods and services

	2015	2014
	(KShs)	(KShs)
Rent and Rates	1,093,312	607,046
Office Equipment	-	1,535,280
Insurance and maintenance of motor vehicle Expenses	427,308	-
Non current assets	2,061,183	-
Tribunal Expenses	81,200	
Pension industry development	16,432,113	20,685,640
Medical Expenses	2,329,600	604,747
Professional Services Expenses	2,254,014	6,172,889
Audit Fees	750,000	750,000
Official Travelling on duty Expenses	50,800	64,600
Office Running Expenses	2,620	266,100
Telephone and other Communication Expenses	108,127	155,342
Infrmation technology Expenses	<u>4,017,424</u>	<u>914,243</u>
Total	<u>29,607,701</u>	<u>31,755,887</u>

These are accruals for goods and services not paid as at 30.6.2015

## NOTE 21 Accumulated surplus/Reserves

	2015 (KShs)	2014 (KShs)
As at 1.7.2014	798,049,589	718,830,769
Net surplus of the year	113,989,158	123,067,337
Tax paid	(42,329,064)	(49,833,144)
Revaluation surplus written back to general fund		5,984,627
	<u>869,709,682</u>	<u>798,049,589</u>

## Capital fund

	2015 (KShs)	2014 (KShs)
As at 1.7.2014	<u>109,357,000</u>	<u>45,457,000</u>
Additional Government grants through FLTAP in the year		63,900,000
	<u>109,357,000</u>	<u>109,357,000</u>

## NOTE 22 General fund

	2015	2014
	(KShs)	(KShs)
As at 1.7.2014	798,049,589	718,830,769
Net surplus of the year	113,989,156	123,067,337
Tax paid	(42,329,064)	(49,833,144)
Revaluation surplus written back to general fund		5,984,627
	<u>869,709,681</u>	<u>798,049,589</u>
<b>Asset revaluation surplus</b>		
<b>Capital fund</b>		
	2015	2014
	(KShs)	(KShs)
As at 1.7.2014	109,357,000	45,457,000
Additional Government grants through FLTAP in the year		63,900,000
	<u>109,357,000</u>	<u>109,357,000</u>

**NOTE 23 RESTATED ACCOUNT BALANCES OF THE PRIOR YEAR**

The account balances for prior year were restated in the current year as per the requirement of IPSAS 3 as detailed in the schedule below:

Notes affected by restatement	Account balance affected by restatement	Account balance as audited and repoted in year 2013/14	Difference	Restated comparative balances in year 2014/15	Reasons for Reclassification/ Restatement
		Kshs	Kshs	Kshs	
2	Levy income	597,772,072	(3,208,671)	594,563,401	Difference relates to licencing fees and tribunal registration fees received from service providers reclassified to other income
3	Investment income	26,364,087	(4,861,525)	21,502,562	Difference relates to interest received from bank deposits and balances reclassified from other income
4	Other income	34,218,726	8,070,197	42,288,923	Difference relates to reclasifications from Levy income and Investment income to other income
5	Employee costs	272,473,284	22,179,032	294,652,316	Difference relates to part of staff expenses included as General expenses in year 2013/14 now reclassified as part of employment cost.
9	General expenses	196,297,984	(22,179,032)	174,118,952	Difference relates to part of staff cost reported as part of general expenses in the prior year now reclassified as part of employment costs in year 2014/15
14	Cash and cash equivalent	834,471,332	(276,168,879)	558,302,453	Difference relates to lond term deposits which is not considered as part of cash and cash equivalent now restated and disclosed seperately.









