



ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30.6.2018

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

Retirement Benefits Authority (RBA) is a regulatory state corporation under the National Treasury, established by section 3 (1) of the Retirement Benefits Act, Cap 197.

(b) Principal Activities

The principal activities of the authority are to:

- 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 National Treasury on the national policy to be followed with regard to the retirement benefits industry and implement all government policies relating thereto.

(c) Key Management

The Authority day-to-day management is under the following key organs:

1. Board of Directors
2. Chief Executive Officer and
3. Management

(d) Fiduciary Management

The key management personnel who held the financial year ended 30th June 2018 and who had fiduciary responsibility were:

- | | |
|--|-------------------------|
| 1. Chief Executive officer | Mr. Nzomo Mutuku |
| 2. Chief Manager Finance | Mr. Jesse Kiptim |
| 3. Chief Manager Supervision | Mr. Charles Machira |
| 4. Chief Manager Market Conduct | Mrs. Anne Mugo, MBS |
| 5. Chief Corporate Communications | Mrs. Rose Kwena |
| 6. Chief Manager Human Resources | Mr. Gordon Bulinda |
| 7. Chief Manager Research and Strategy | Dr. Shem A. Ouma |
| 8. Board Secretary | Mrs. Praxidis Saisi |
| 9. Manager Internal Audit and Risk | Mrs. Elizabeth Waruingi |
| 10. Manager Procurement | Mr. George Ogwang' |
| 11. Manager ICT | Mr. Peter Ngunyi |

(e) Fiduciary Oversight Arrangements

Provide a high- level Description of the key fiduciary oversight arrangements covering:

- Audit and finance committee activities
- Development partner oversight activities
- Other oversight activities

(f) Authority's Headquarters

Registered Office

13th Floor, Upper hill Road
Rahimtulla Tower
P.O. Box 57733-00200 Nairobi

(g) Authority Contact

Tel: +254-20-2809000
Fax: +254-20-2710330
Mobile: +254-722-509939
Mobile: +254-735-339132
E-mail: info@rba.go.ke
Website: www.rba.go.ke

(h) Authority Bankers

Kenya Commercial Bank Ltd

Milimani Branch
NSSF Building, Bishops Road
P. O. Box 48400 – 00100
Nairobi

Barclays Bank of Kenya Ltd

Off Waiyaki Way
P. O. Box 30120 – 00100
Nairobi, Kenya
Tel: +254(20)4254000
Email: Barclays.kenya@barclays.com

(i) Independent Auditors

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

Nairobi

(j) Principal Legal Advisor

Attorney General
Sheria House, Harambee Avenue
P.O. Box 40112-00100 GPO
Nairobi

CORPORATE GOVERNANCE STATEMENT

Board Size and Composition

- Mr. Victor Pratt, Chairman (Appointed 30th May 2016)
- Cabinet Secretary, The National Treasury
- Mr. Joseph Ngugi, Alternate Director to the Cabinet Secretary, The National Treasury (Appointed 14th October, 2015)
- Mr. Godfrey Kiptum MBS, Member of Chartered Insurance of Institute of UK, Ag. Chief Executive Officer, Insurance Regulatory Authority
- Mr. Paul Muthaura, Director, Chief Executive Officer, Capital Markets Authority
- Mr. Steve Gichohi Gichuhi, MBS, Director (re-appointed 6th June 2018)
- Mr. Vincent Rotich, Director (Appointed 2nd October 2015)
- Dr. Margaret M. Makumi, Director (Appointed 6th June 2018)
- Hon. Sammy C. Koech, Director (Appointed 8th June 2018)
- Mr. Nzomo Mutuku, Chief Executive Officer

The Inspector General (Corporations) under section 18(2) of the State's Corporation Act, Cap 446 may attend the meetings of any State Corporation or of any Board or Committee as he deems necessary for the effective performance of his duties under the Act.

Committees of the Board

To comply with Chapter one of the Mwongozo, the Board constitute of four (4) Committees each with its own Charter. The individual Charters set forth the purpose, goals and responsibilities of the Committees as well as the qualifications for Committee membership, the procedure for appointment and removal of a member and the procedure of reporting to the Board. The Committees facilitate efficient decision making of the Board in the discharge of its statutory duties and responsibilities.

All Directors exercise the requisite duty and care in the best interest of the Authority. The current members of the Board and their membership on the Board Committees of the Authority are as follows:

Technical Committee

The membership of the Committee is as follows:

- Mr. Godfrey Kiptum MBS- Chairperson
- Mr. Vincent Rotich
- Mr. Stephen Gichohi Gichuhi, MBS
- Mr. Joseph Ngugi - Alternate CS, The National Treasury

The Technical Committee held six regular meeting and one special meeting in the in the year.

Staff Welfare and Remuneration Committee

The membership of this Committee is as follows:

- Mr. Stephen Gichohi Gichuhi, MBS - Chairperson
- Mr. Vincent Rotich
- Mr. Paul Muthaura
- Mr. Joseph Ngugi - Alternate CS, The National Treasury

The Committee held two regular meeting and one special meeting in the year.

Finance and Administration Committee

The membership of this Committee is as follows:

- Mr. Stephen Gichohi Gichuhi, MBS - Chairperson
- Mr. Godfrey Kiptum MBS
- Mr. Joseph Ngugi - Alternate CS, The National Treasury

The Committee held five regular meeting in the year.

Audit and Risk Management Committee

The membership of this committee is as follows:

- Mr. Vincent Rotich – Chairperson
- Mr. Paul Muthaura
- Mr. Joseph Ngugi - Alternate CS, The National Treasury

The Committee held two regular meeting in the financial year under review

During the year two new Board members were appointed but did not serve on any committees during the year as they were appointed in mid June 2018.

The Board Meetings

During the financial year the Board held six full board regular meeting and seven special meetings in the financial year under review.

Main Board & Committee Membership and Number of Meeting in the financial year:

Board Member	Classification	Designation	Finance & Administration Committee (FAC): Total No. of meetings 5 (5 scheduled + 0 special meetings)	Audit and Risk Management Committee (AC): Total No. of meetings 4)	Technical Committee (TC): Total No. of meetings 7 (6 scheduled + 1 special meetings)	Staff Welfare and Remuneration Committee (SWRC): Total No. of meetings 5 (2 scheduled + 3 special meetings)	Main Board 10 meetings (4 scheduled + 6 special meetings)
1 Mr. Victor Pratt	Independent	Board Chairman					10/10
2 Mr. Joseph Ngugi	Representing the Cabinet Secretary, National Treasury		4/5	4/4	3/7	5/5	9/10
3 Mr. Paul Muthaura	CEO, Capital Markets Authority			3/4	1/7	2/5	9/10
4 Mr. Godfrey K. Kiptum, MBS	Ag. CEO, Insurance Regulatory Authority	Chairperson TC	5/5		5/7	2/5	9/10
5 Mr. Steve Gichohi Gichuhi, MBS	Independent	Chairperson FAC	5/5	1/4	5/7	5/5	10/10
6 Mr. Vincent Rotich	Independent	Chairperson AC	1/5	4/4	7/7	5/5	10/10
7 Dr. Margaret M. Makumi							1/10
8 Hon. Sammy C. Koech							
9 Mr. M'noti Maingi	Inspectorate of State Corporation		3/5	4/4	4/7	3/5	9/10

THE BOARD OF DIRECTORS



Mr Victor R. Pratt
Chairman
Education – Business Administration,
Post Graduate Studies in Industrial Development Banking.



Mr Nzomo Mutuku
Chief Executive Officer
Retirement Benefits Authority
Education - BA, MA - Economics.
Year of Birth -1969



Hon. Sammy Koech
Business man
Education:
Year of Birth – 1959



Mr Joseph Ngugi
Alternate Director to CS The National Treasury.
Education - Bachelor of Arts (Economics), Master of Arts (Economics)
National Treasury
Year of Birth – 1966
Education – MA Economics



Mr Steve Gichohi Gichuhi, MBS
Education - BBM, Dip. Banking, Dip. Sales & Marketing
Year of Birth – 1965



Mr Vincent Rotich
Education – MA Project Management
Year of Birth – 1979



Mr Paul Muthaura
Chief Executive Officer
Capital Markets Authority
Education – Bachelor of Laws, Masters in Banking and Finance Law.
Year of Birth – 1978



Mr. Godfrey K. Kiptum, MBS
Acting CEO
Insurance Regulatory Authority
Education - Master of Business Administration
Year of Birth – 1970



Dr. Margaret Makumi
Medical Doctor
Bachelor of Medicine and Bachelor of Surgery
Master of Public Health
Year of Birth – 1962



Mrs. Praxidis Naomi Saisi
Chief Manager, Legal Services & Board Secretary
LLB, LLM, PGD-Law, MBA
Year of birth -1967

MANAGEMENT TEAM



Mr. Nzomo Mutuku
Chief Executive Officer
Retirement Benefits Authority
Education - BA, MA -
Economics.
Year of Birth -1969



Ms. Anne Mugo, MBS
Chief Manager
Market Conduct
BCom, MBA, ACII
Year of birth -1963



Mr. Jesse K. Kiptim
Chief Manager, Finance
MBA, CPA-K.
Year of birth -1959



MS Elizabeth Waruingi
Manager, Internal Audit &
Risk Management.
BA, MBA, CPA, CIA, CISA,
CRMA.
Year of birth -1971



Ms. Rose Kwena
Chief Manager, Corporate
Communications.
BA, PGD, MSc.
Year of birth -1961



Mr. Charles Machira
Chief Manager, Supervision
BSc, MSc.
Year of birth -1967



Mr. Gordon Bulinda
Chief Manager, Human
Capital.
Development &
Administration
Bed, PGD, MBA.
Year of birth -1972



Dr. Alfred Shem Ouma
Chief Manager, Research &
Strategy
BA (Econ.), MA (Econ.), PhD
(Econ.)
Year of birth -1964



Mrs. Praxidis Namoni Saisi
Chief Manager, Legal Services
& Board Secretary
LLB, LLM, PGD-Law, MBA,
CPS
Year of birth -1967



Mr. Peter Ngunyi
Manager, Information
Communication Technology
BCOM (IT), MIS, MBA
Year of birth -1978



Mr. George Ogwang'
Manager, Procurement
BCom Acc & BA, MBA, MSc
PSCM
Year of birth- 1974

THE CHAIRMAN'S STATEMENT



The Financial Year 2017/2018 saw the Retirement Benefits Authority remain vibrant in spearheading formalization of the informal sector in Kenya.

Employment statistics from the Kenya National Bureau of Statistics shows that in 2016 employment increased by 5.3 per cent year-on-year to 15.9 million persons in both the private and public sector.

From this, informal employment, in both the private and public sector, accounted for 83 per cent of total jobs – or 13.3 million people – while employment in the modern sector (or the so-called wage employment) stood at 2.6 million persons. These are people with regular monthly income.

Second, in the wage employment basket, only 74,293 persons earned a monthly income of above Sh100,000 per month. That is just about 3 per cent of total wage employment. The rest, 2.5 million persons, earned below that figure – with about half earning monthly incomes of between Sh30,000 and Sh50,000.

From these statistics, it can only mean that employment is driven by the informal sector, thus the reason why the Authority needs to embrace the 'Formalizing Informality' ideology.

To bring the informal sector to the centre of the economy, the Authority would have to carry out an extensive study to understand the situation in the informal sector, establish who they are, what they need, how they can be targeted through segmentation and through what language and channels they can be reached.

We shall then go ahead and identify the skills bank that is required and the partners needed, from government and private institutions to help the existing Medium and Small Enterprises (MSEs) improve their products and expand their market.

Being the Private Pensions Regulator, we need to identify local and international partners that can assist the informal sector create wealth through mentorship of Startups.

Since inclusiveness is crucial to the success of the program, we shall need to involve the MSEs in the conversation of what we plan to do to get their buy-in.

With the turbulent electioneering period over and political stability restored, Kenya is now on a path of balanced economic and social development.

This is a perfect environment for RBA to formalize informality through establishment of a special platform for reaching out to micro, small & medium enterprises with direct linkages to well established larger businesses in terms of know-how and access to markets.

We now need to implement this vision by sharing best practices through business round tables made up of select retired volunteers from public and private sectors.

APPRECIATION

The support extended by the Government to the Authority is critical to the success we achieve in performing our duties and responsibilities.

I wish to appreciate the Government for ensuring that the Authority's Board is now fully constituted with the appointments of:

- i. Dr Margret Makumi- for a period of three (3) years, with effect from 6 June 2018
- ii. Hon. Sammy Koech- for a period of three (3) years, with effect from 8 June 2018
- iii. Mr. Stephen Gichohi Gichuhi MBS - renewal for a period of three (3) years, with effect from 6 June 2018

I welcome these members and look forward to their contribution to the work of the board and its committees.

I also wish to acknowledge the excellent work of the Authority's management and staff under the able leadership of Mr. Mutuku Nzomo and thank the whole team for the strong team they provide to the Board.

STRATEGIC DIRECTION

During the year, Mr Nzomo Mutuku was confirmed as chief executive officer after a year performing the role in an acting capacity.

His confirmation came after an open recruitment process during which ten qualified candidates were interviewed for the post, with Mr Mutuku emerging the highest ranked.

RBA board of directors is confident that Mr Mutuku will be able to deliver on the authority's core mandate and in particular drive the organization's key strategic themes.

Mr. Mutuku has served as the Acting Chief Executive of the Authority since May 1, 2017. Previously he worked on secondment to The National Treasury as the Acting Director Financial and Sectoral Affairs where he was charged with financial sector development and sectoral policy issues.

Prior to his secondment, Mr. Mutuku was the Chief Manager, Research & Development at RBA for over 12 years having previously worked in the Research Department of the Central Bank of Kenya.

Under his leadership the Authority now oversees operations of over Sh1 trillion worth Assets under Management of the pension industry.

On behalf of the Authority's Board, I wish to express confidence that Mr. Mutuku will deliver on the Authority's core mandate and in particular would drive the following key strategic themes:

- **Increasing coverage of the retirement benefits sector to ensure more Kenyans are saving for retirement;**
- **Ensuring full compliance with the provisions of the Retirement Benefits Act by all schemes and services providers;**
- **Leveraging on technology to improve service delivery in the retirement benefits industry; and,**
- **Facilitating schemes contribution to economic development and the Government's Big 4 Agenda.**

I urge the industry stakeholders to offer Mr. Mutuku the highest cooperation as he executes this important responsibility.

OTHER ACHIEVEMENTS DURING THE YEAR UNDER REVIEW

AUTOMATION

Automation is a key pillar in the implementation of the RBA corporate strategy as it acts as enabler in the delivery of quality service that meets stakeholder's expectation. During the financial year 2018, the Authority implemented the Whistle Blower and Complaints Portals.

The Whistle-blower portal is an online portal that allows members of the public to report any issues relating to Retirement Benefits Schemes bordering on violation of financial regulations, mismanagement of public funds and assets, financial malpractice or fraud and theft or any other malpractices that are deemed to be in the interest of the public.

On the other hand, the complaints Portal, is a platform that allows members of retirement benefits schemes, who are aggrieved with the decision of trustees or service providers to file a complaint without having to physically visit the Authority's offices. The portal can be accessed through the following link: <http://portal.rba.go.ke/>

Management has conducted an internal review of the core supervisory system; risk based supervision system (RBSS) and back office system (ERP).

The outcome of this review revealed some system deficiencies that require an upgrade to cope with the changes necessitated by emerging regulatory and technological environment. As a result of this the Authority will be upgrading its core business applications in the next financial year

To ensure business continuity in case of a disaster, management has implemented a robust online disaster recovery backup solution. An online backup solution is an offsite data storage in which files, folders, or the entire contents of all the servers in the organization are regularly backed up and replicated on a remote location

ISO CERTIFICATION:

In the year under review, the Authority also got ISO 9001: 2015 certified, which is an upgrade from the ISO 9001:2008.

The Authority's re-certification to this new standard is a testimony that the Authority has a functional quality management system that continues to meet stakeholder-focused requirements.

Among the requirements attained with the new certification received in May 2018 include:

- i. Recalibration of the business environment, redefining the context of the business environment - internal & external, identification of stakeholders - their needs and expectations.
- ii. Re-engaging the entire organization, the new standard emphasizes on top leadership commitment and engagement of members of the organization at all levels.
- iii. Protecting the organization by looking at and managing risks. This is of particular interest to the boards of companies, investors and other stakeholders. Risk based approaching to quality management offers fresh perspective to setting objectives and priorities.
- iv. Simplified documentation. The amount of mandatory documentation required has been reduced in the new standard, and it is more important to consider the benefits of documenting a process to ensure it is effective.

- v. Addresses supply chain management more effectively and are more user-friendly for service and knowledge-based organizations dedicating a whole clause to organizational knowledge management.



SCHEME GOVERNANCE FRAMEWORK DEVELOPMENT

The Authority has embarked on market conduct regulation with the development of Guidelines for use as tools to enhance governance in the retirement benefits sector and ensure that: -

- i. Delivery of services to customers in the retirement benefits sector is enhanced;
- ii. Consumer education in the sector is emphasized by all sector players;
- iii. Good governance is maintained among service providers in the sector.

The following Guidelines are under review or development: -

- **Prudential Guideline No. RBA 001/2013 - Trustees Development Program - Kenya (TDPK)** - This Guideline is already in place and the Program started on 1st August 2011. The Authority, together with the College of Insurance (COI) and the Association of Retirement Benefits Schemes (ARBS) manages the Program to train new trustees within six months of their appointment. A review of the curriculum and capacity building for new trainers are under way and will continue in Financial Year 2018-19.

The Authority also proposes to fund a similar programme for scheme administrators to be titled Administrators Development Programme Kenya (ADPK) over the period 2018-2020. The preliminary work will commence during FY 2018-19.

- **RBA Market Conduct Guideline No. MC/01/2018 - Guideline on Good Governance Practices in the Management of Retirement Benefits Schemes (GGS)** - Development of the Guideline has been completed, following extensive stakeholder consultations. The Guideline was submitted to the National Treasury and the Attorney General's Office in readiness for further legislative action. The Authority

will embark on sensitization of sector players on the requirements in the Guideline in readiness for full compliance in FY 2018-19.

- RBA Market Conduct Guideline No. MC/02/2018 - **Treating Customers Fairly (TCF)** – Development of the Guideline is on-going and a first sensitization to stakeholders was held in May 2018. The draft Guideline was approved for further drafting work before public participation and stakeholder validation in Financial Year 2018-19.
- **Proposed new Guidelines**
 - i. Remuneration and Incentives - The Guideline will address the requirement in the law that Trustees have a formal way of setting remuneration and incentives and obtaining members' approval;
 - ii. Fit and Proper Evaluation of Trustees and Key Persons of Service Providers - The Authority will incorporate the requirements for vetting of existing and new trustees and key persons of service providers as an annexure to the Guideline on Good Governance Practices in the Management of Retirement Benefits Schemes.
 - iii. Risk Management/Fraud Protection for Retirement Benefits Schemes - The Authority will stagger development of guidelines by bringing in this Guideline in FY 2019-20. It is also noted that schemes are already under a risk management framework under the Risk Based Supervision (RBSS), which is undergoing a review.

CONSUMER EDUCATION

In 2017/18, the Authority trained a total of 13,302 scheme members on retirement planning in Seminars across the country, reaching 22 Counties including Nairobi, Mombasa and Kisumu. This was done amidst challenges arising from the extended election period in August to October 2017, which resulted in cancellations and postponement of programmes.

Members were trained on the importance of saving for retirement, how to manage their finances and available channels for savings and investments. The Authority also endeavors to prepare members on psychological and health challenges they may encounter in retirement and how to avoid them or mitigate their impact. Training is carried out with consultants to ensure members learn from practicing experts. Other member engagements are at annual general meetings, members' days, ASK shows and open days.

CONSUMER PROTECTION

In 2017/18, the Authority received only 77 formal complaints from various scheme members, which were resolved within an average of 13 days against a required maximum of 20 days set by the Commission for Administrative Justice (CAJ). The CAJ scores the Authority on various scheduled activities including how it engages with stakeholders and the use of media to ensure enquiries and complaints are handled promptly. The Authority scored an average of 98.5% for Financial Year 2017-18.

The Authority participated in the Complaints Referral Partners Network (CRPN) activities with other institutions such as the Judiciary, the Pensions Department, the National Police Service, the Office of the Director of Public Prosecution (ODPP) and the Kenya National Commission on Human Rights (KNCHR). CRPN held various clinics in the counties in which the Authority participated. The Authority also hosted a meeting of the Network members in May 2018, which was attended by 17-member institutions.



Victor Pratt

Chairman

14th September 2018

REPORT OF THE CHIEF EXECUTIVE OFFICER



RETIREMENT BENEFITS INDUSTRY REPORT AS AT DECEMBER 2017

1.0 OVERALL ASSETS UNDER MANAGEMENT

On overall the retirement benefits assets under management grew by 12.15 percent from Kshs. 963.05 billion in June 2017 to Kshs. 1,080.1 billion in December 2017. Comparing with the same period last year (December 2016) the assets grew by 18.34 percent up from Kshs. 912.66 billion. The growth of the assets can be attributed to improved compliance, gradual recovery in the stock market after the bank crisis in 2016 and the aftermath of the prolong electioneering period in 2017.

The fund managers and approved issuers held majority of the assets amounting to Kshs. 904.91 billion. A total of Kshs. 65.96 billion of investments was internally administered by the National Social Security Fund (NSSF), while Kshs. 109.3 billion of property investments was directly managed by the trustees of the various schemes¹. The assets under fund management include Kshs.143.3 billion of NSSF funds which are managed by 5 external managers. Assets managed internally by NSSF are majorly in immovable property, quoted equities, fixed deposits, as well as unquoted securities. The schemes continued to invest heavily in government securities with the asset class recording 36.49 percent of the total assets under management.

Most of the investments in the various asset categories showed some growth except the listed corporate bonds, fixed deposits and cash, which slightly dropped in absolute terms. In terms of the percentage distribution per asset class category, government securities still accounted for the biggest share of the total assets at 36.49 percent, followed by property, which accounted for 20.99 percent, investments in quoted equities shares accounted for 19.46 percent, investments in guaranteed funds accounted for 13.24 percent. Investment in alternative assets by schemes has gained traction with an inclusion of Private Equity & Venture Capital and Real Estate Investment Trusts (REITs)

as separate assets classes constituting to around 0.322 percent and 1.03 percent of the total assets under management respectively.

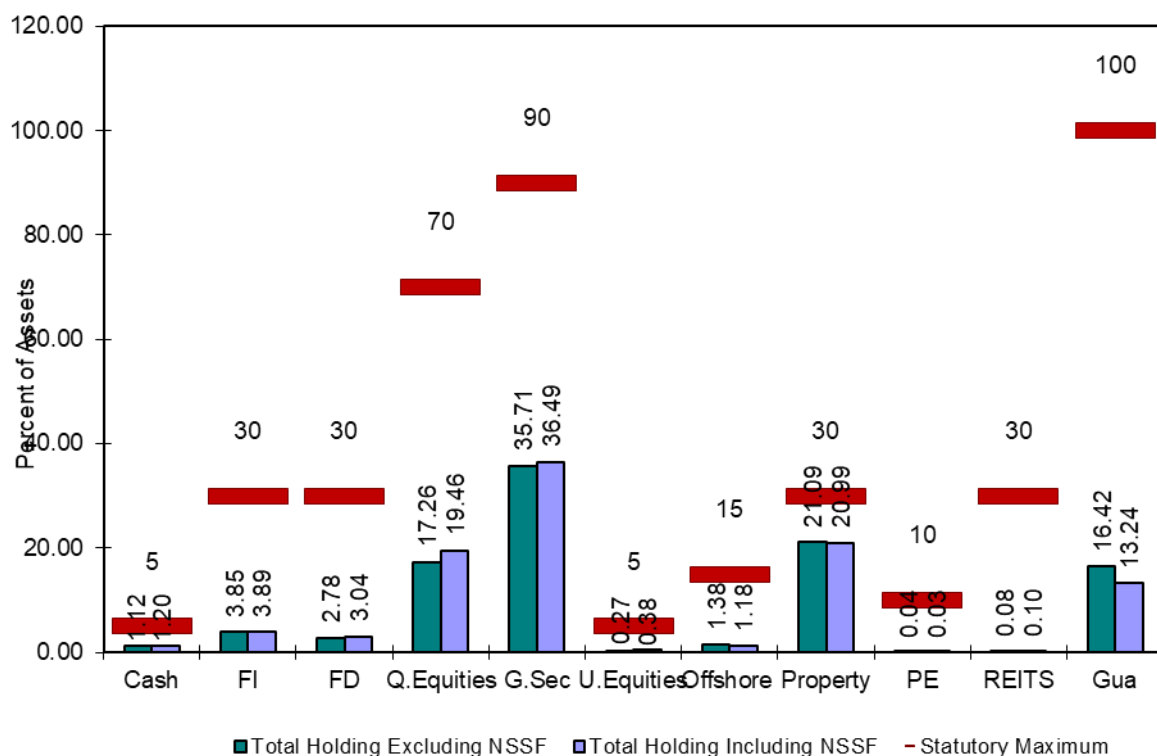
The table below provides detailed aggregate investments by schemes by the various asset classes.

OVERALL INDUSTRY INVESTMENT PORTFOLIO (Kshs. Billion)

	Assets Category	Dec-15		Jun-16		Dec-16		Jun-17		Dec-17	
		Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs.	%
1	Government Securities	242.43	29.78	211.85	25.47	349.15	38.26	353.47	36.7	394.19	36.49
2	Quoted Equities	186.81	22.95	129.68	15.59	159.07	17.43	180.35	18.73	210.17	19.46
3	Immovable Property	150.78	18.52	126.52	15.21	178.42	19.55	204.6	21.25	226.72	20.99
4	Guaranteed Funds	99.4	12.21	101.89	12.25	129.58	14.2	103.67	10.76	142.97	13.24
5	Listed Corporate Bonds	48.09	5.91	39.42	4.74	46.95	5.14	46.83	4.86	41.99	3.89
6	Fixed Deposits	55.61	6.83	28.31	3.4	24.57	2.69	45.49	4.72	32.88	3.04
7	Offshore	7.16	0.88	5.27	0.63	6.96	0.76	9.68	1	12.77	1.18
8	Cash	11.26	1.38	8.71	1.05	12.93	1.42	13.91	1.44	12.95	1.2
9	Unquoted Equities	2.77	0.38	62.57	7.52	3.95	0.43	3.91	0.41	4.06	0.37
10	Private Equity	0.17	0.02	0	0	0.22	0.02	0.25	0.03	0.322	0.03
11	REITS			0		0.84	0.09	0.888	0.09	1.03	0.1
12	Commercial paper, non-listed bonds by private companies							0.002	0	0.062	0.01
12	U Classified/Others	9.62	1.18	117.56 ²	14.13	0		0		0	
	TOTAL	814.11	100	831.78	100	912.66	100	963.05	100	1,080.11	100

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

OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM



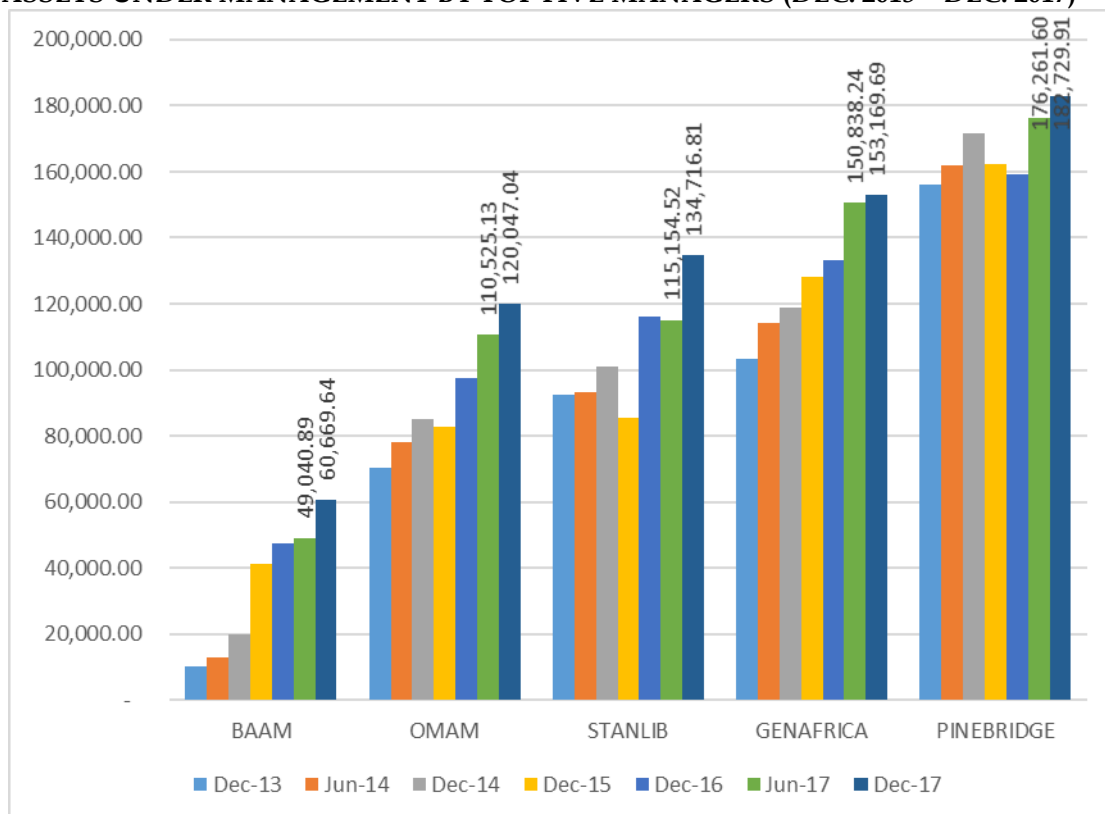
2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending December 2017, 19 fund managers and 11 approved issuers, submitted 1,271 scheme reports with a total fund value of Kshs. 904.91 billion representing 11.48 percent increase in the total assets under fund management from the Kshs. 811.7 billion recorded in June 2017. The asset diversification remained similar to the previous periods with most of the asset classes recording minimal gains/losses. During the period, investment in listed corporate bonds, fixed deposits and cash recorded some decreased. Fund managers and approved issuers did not report any investments under the “any other asset class category” during the period. The drop in the investments under any other assets can be attributed to the introduction of new assets classes³.

In terms of investments by specific fund managers and insurance issuers, Pinebridge Investments East Africa Company limited still remained the fund managers with the largest assets under management with total assets under management at Kshs. 182.73 billion which constitute 20.19 percent of the total assets under fund management. The top five fund managers (Pinebridge, GENAfrica, Stanlib Kenya, Old Mutual Kenya and British –American Asset Managers Ltd) manages the bulk of the investments with the

total assets under management amounting to Ksh. 651.33 billion constituting 71.97 percent of the entire assets under fund management. The analysis reviewed each entity according to how it is registered hence, where a parent company has both an approved issuer and fund manager the two were considered as distinct entities. In 2016-2017 FY there was a sharp increase in other assets/unclassified assets due to limited classification of assets held by fund managers. The subsequent drop was due to the expanded asset classes following legal notice number 107 which expanded the asset classes.

ASSETS UNDER MANAGEMENT BY TOP FIVE MANAGERS (DEC. 2013 - DEC. 2017)



3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

The total assets held by NSSF rose by Kshs. 12.38 billion in December 2017 from Kshs.196.88 billion in June 2017 representing a 6.29 percent growth in the total fund. Out of the total amount of Kshs.209.26 billion, Kshs.65.96 billion⁴ was internally managed by NSSF. The externally managed funds continue to increase over the period from 133.6 billion in June 2017 to Kshs.143.3 billion in December 2017. The table below shows the distribution of the funds to the various fund managers. Pinebridge Investments and Co-op Trust Investments have not managed the NSSF fund for the last three years. The

portfolio managed by most fund managers increased in value except GenAfrica Asset Management Ltd.

NSSF PORTFOLIO OF THE EXTERNAL MANAGERS (Dec.2014 –June 2017)

Assets in Millions						
Fund Manager	Dec-14	Dec-15	Dec -16	Jun-17	Dec-17	% Change
British-American Asset Managers Limited	-	17,860	22,033	24,289	27,260	12.23
Gen Africa Asset Managers	13,125	30,096	31,667	36,009	35,635	(1.04)
ICEA Lion Asset Management Limited	13,269	18,058	20,534	23,826	25,953	8.93
Old Mutual Asset Managers (Kenya) Limited	13,352	17,945	20,620	24,190	26,718	10.45
Stanlib Investments Kenya Limited	12,246	18,494	21,639	25,316	27,738	9.57
Pinebridge Asset Managers	14,962	-	-	-	-	-
Co-op Trust	12,652	-	-	-	-	-
Total	79,606	102,453	116,493	133,630	143,303	

The overall NSSF portfolio is heavily invested in government securities, quoted securities and immovable property at 39.76 percent, 28.58 percent and 20.57 percent respectively. The portfolio allocation complies with the investment guidelines.

4.0 FUTURE OUTLOOK

The retirement benefits sector is expected to grow in the next quarters given the current relatively stable political environment and the gradual comeback of the stock market. The schemes are also expected to venture into investing in alternative assets classes given the broadening of the allowable investment categories.



Nzomo Mutuku

Chief Executive Officer

14th September 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The Authority's operational and financial performance

The Financial Performance of the Authority for the twelve months ended 30th June 2018 is presented herewith in accordance with the requirement of the Retirement Benefits Act, the Public Audit Act and the International Public Sector Accounting Standards

This is the 20th financial year since inception of the Authority and the levy payable by retirement benefits schemes has been the main source of revenue.

Income

The Authority's total income for the financial year 2017-2018 is kshs. 885.4 Million including RBA levy and licensing fees of Kshs. 836 million, investment income of Kshs. 36.6 million and other miscellaneous income of Kshs. 12.6 million. Levy collected during the financial year was Kshs. 833 million compared to Kshs. 751 million in the prior year 2016-2017 Financial Year. The levy collected was above target by Kshs. 98 million.

Recurrent Expenditure

The total operating expenditure for the Authority for 2017-2018 FY was Kshs. 674.7 million compared to Kshs. 690.9 million in the previous year 2016-2017 FY. This is due to government sanctions on some expenditure that were issued during the year. Similarly, there are expenditures that the Authority had planned to undertake that were later sponsored by the Financial Sector Support Programme (FSSP) hence reducing expenditure on the side of the Authority.

Capital Expenditure

During the financial year 2017-2018 the Authority spend Kshs. 22.7 million compared to a budget of Kshs. 32.8 million representing 68.9% decrease. This was due to reduced capital budget for the period and delay in approvals for acquisition of some planned Assets such as purchase of motor vehicle.

Treasury Management

The Authority's investment portfolio as at 30th June 2018 was Kshs. 588.1 million compared to Kshs. 509 million, comprising of treasury bills. The bank balances as at 30th June 2018 was Kshs. 445.2 million compared to Kshs. 471.2 million in the previous year 2016-2017.

The Authority in adherence with Government circulars continued to invest most of its funds in 91days Treasury Bills with some funds placed in fixed deposit accounts at the Commercial banks as bank guarantees for goods and services and 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, 2018. The cash and cash equivalent for 2017-2018 FY was Kshs. 720 million compared to Kshs. 670 million in the prior year 2016-2017 FY.

OVERALL FINANCIAL PERFORMANCE

In the 2017-2018 financial years the Authority had a surplus of Kshs. 212.4 million compared to Kshs. 136.2 million in 2016-2017 financial year. The Authority expenditure was within budget and where appropriate reallocations were done during the period so as to cover unforeseen expenditures and inflation in some areas.

Authority's compliance with statutory requirements

The Authority has continued to comply with all applicable laws and statutory requirements. Currently there no ongoing court cases or default which may amount to contingent liabilities.

The Authority's financial probity and serious governance issues

There wasn't financial probity undertaken on the Authority or its employees in the 2017-2018 financial year.

Major Risks Facing the Entity

Legal and regulatory risks

The authority faces Legal and Regulatory risks such as inadequate regulatory framework; slow enforcement processes; increase in contested legal interpretations of RBA Actions/Decisions; unfavorable changes in legislation and slow adaptation to global practices and standards by RBA.

Reputation and Political risks

The Authority also faces reputational risks and political risks. Reputational risks may arise from regulatory failures; failure to manage pensioners; issues and perception of RBA as being toothless. Political risk on the other hand may arise from influence peddling, government policy changes and electoral process.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

To complement its mandate, RBA carries out Corporate Social Responsibility and Investment (CSR&I) activities that are aimed at increasing the number of Micro & Small Enterprises (MSEs) taking up a pension cover as well as improving the environment in which they operate.

During the financial year, the Authority carried out a number of CSR&I programmes. These included market cleaning exercises in Machakos, Kisii, Homa Bay, Kilifi and Vihiga counties.

The cleaning exercises in various counties were preceded by sensitization forums on the importance of saving for retirement.



RBA Chairman Victor Pratt (Pushing Wheelbarrow) during an informal sector sensitization in Mtwapa, Kilifi County

In the forums, RBA staff drawn from different departments respond to queries from hundreds of Kenyans on how and where to save for retirement or on issues about their pension schemes in terms of savings, investments and payments.

The MSEs were also sensitized on the importance of conducting business in a clean environment in order to attract customers, grow incomes and avoid diseases so that they can live long, meaningful lives in order to enjoy their retirement savings.

The Authority also sponsored Thika Sports Club Golf Tournament on 27th January 2018. The event was a huge success with a turnout of 178 participants – a majority of whom were business owners.

The members were sensitized on the importance of saving for retirement. Individual Pension Plans providers were also on hand to register those wishing to take up pension cover.

The Authority through the Corporate Social Responsibility and Investment committee also sponsored a young golfer, Mr. Simon Ngige, in Kenya Open Golf Tournament in a move aimed at sensitizing young sports people to start saving early for retirement and employers to enroll their workers in schemes. The golfer is one of the highly rated golfers in Kenya and the event “Kenya Open” is the most attended golf tournament and is sponsored and attended by many employers. Mr. Ngige is now RBA’s ambassador in preaching the pension gospel to other sports people.

These activities generated positive publicity on the Authority’s mandate and will continue to help the Authority achieve its vision and mission as outlined in its Strategic Plan and the Performance Contract.



Above: Mr. Simon Ngige (with RBA attire) in action at Muthaiga Golf Club.



Above: RBA Staff posing for a photo with golfer Mr. Simon Ngige (fourth left)

A handwritten signature in black ink, which appears to be "Nzomo Mutuku".

Nzomo Mutuku

Chief Executive Officer

14th September 2018

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30 June 2018 which shows the statement of the Authority affairs.

Principal activities of the authority are to:

- (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, National Treasury & Planning on the national policy on retirement benefits.

Results

The result of the Authority for the Financial Statement ended 30 June 2018 is set out on page 34 & 38.

Directors

The member of the board of the directors who served in the board are 9 including the Chief Executive Office during the year one director's term ended in February 2018 and one resigned to pursue other interests. Appointments of other two directors were also done during the period.

Auditors

The Auditor General is responsible for the statutory audit of Retirement Benefits authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the Audit of the Retirement Benefits Authority for the year ended 30 June 2018 in accordance to section 23 of the Public Audit act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Praxidis Saisi
Board Secretary

14th September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of Public Finance Management Act, 2012, Public Act, no. 12 of 2003 and The Retirement Benefits Authority Act, 197 require 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 undertakings, Funds, investments, activities and property of the Authority. They are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affair of the Authority for and as at the end of the financial year (period) June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Retirement Benefits Authority Act, 197. The directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 30th September 2018 and signed on its behalf by:



Chief Executive Officer



Chairman

14th September 2018

**REPORT OF INDEPENDENT AUDITORS ON THE RETIREMENT BENEFITS
AUTHORITY**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Kshs	Restated 2017 Kshs
Revenue from non-exchange transactions			
Revenue from Non-Exchange	4	836,234,683	755,795,971
		836,234,683	755,795,971
Revenue from exchange transactions			
Revenue from Exchange Transactions	5	36,639,679	38,301,914
Other income	6	12,586,545	35,810,124
		49,226,225	74,112,038
Total revenue		885,460,908	829,908,009
Expenses			
Employee costs	7	304,935,949	306,925,528
Remuneration of Directors	8	18,709,175	20,021,259
Depreciation and Amortization Expense	9	18,062,592	19,882,493
Repairs and maintenance	10	7,207,159	11,345,053
General expenses	11	325,220,293	332,236,049
Finance costs	12	609,421	521,831
Total expenses		674,744,590	690,932,213
Gains/(losses) disposal of assets	13	-	(1,080,911)
Total other gains/(losses)		-	(1,080,911)
Surplus/(deficit) for the period		210,716,317	136,191,888
Remission to National Treasury	14	163,448,114	157,864,775
Net Surplus /deficit for the year		47,268,204	(19,969,890)

The notes set out on pages 32 to 48 form an integral part of these Financial Statements



Chief Executive Officer



Chief Manager, Finance
ICPAK Member No. 2837

14th September 2018

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 Kshs	Restated 2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	15	720,216,559	670,432,664
Receivables from Non-Exchange Transactions	16	8,159,648	9,042,696
Prepayments from Exchange Transactions	17	3,255,193	6,065,227
		-	-
Total Current Assets		731,631,400	685,540,587
Non-current assets			
Property, plant and equipment	18	65,927,334	61,331,699
Investments	19	313,102,870	309,727,559
Total non - current assets		379,030,203	371,059,258
		1,110,661,604	1,056,599,845
Total assets			
Liabilities			
Current liabilities			
Employers Obligations	20	16,711,545	16,711,545
Sundry Creditors	21	18,102,191	11,308,636
Total current liabilities		34,813,736	28,020,181
Non-current liabilities			
Net Assets		1,075,847,868	1,028,579,664
Total liabilities			
Net assets			
Capital Fund	22	109,357,000	109,357,000
Accumulated surplus	23	966,490,868	919,222,664
Total net assets		1,075,847,868	1,028,579,664
Total net assets and liabilities		1,110,661,604	1,056,599,845

The Financial Statements set out on pages 32 to 35 were signed on behalf of the board of Directors by:



Chief Executive Officer



Chief Manager, Finance
ICPAK Member No. 2837

14th September 2018

STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Fund	General Fund	Total Fund
	Kshs	Kshs	Kshs
At 1 July 2017	109,357,000	919,222,664	1,028,579,664
Surplus / Deficit for the period		210,716,317	210,716,317
Surplus Paid		- 163,448,114	- 163,448,114
At 30 June 2018	109,357,000	966,490,867	1,075,847,867
At 1 July 2016	109,357,000	939,192,554	1,048,549,554
Surplus / Deficit for the period		137,894,885	137,894,885
Surplus Paid		- 157,864,775	- 157,864,775
At 30 June 2017	109,357,000	919,222,664	1,028,579,664



Chief Executive Officer



Chief Manager, Finance
ICPAK Member No. 2837

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities: -	NOTE		
Net Surplus of the year		210,716,317	137,894,885
Adjusted for:			
Gain & Loss on disposal written back	18	-	1,080,911
Depreciation written back	18	<u>18,062,592</u>	<u>19,882,493</u>
		<u>228,778,909</u>	<u>158,858,289</u>
Working capital changes			
(Increase)/Decrease in receivable	16	3,693,081	8,667,875
Increase / (Decrease) in payable	17	<u>6,793,555</u>	<u>(22,145,712)</u>
Cash generated from operations		<u>10,486,637</u>	<u>(13,477,837)</u>
Net cash flows from operating activities		<u>239,265,546</u>	<u>145,380,452</u>
Cash flows from investing activities :-			
Purchase of Property & Equipment	18	(22,658,227)	(22,252,307)
Proceeds from Sale of Assets	18	<u>-</u>	<u>232,750</u>
Net cash used in investing activities		<u>(22,658,227)</u>	<u>(22,019,557)</u>
Cash flows from financing activities :-			
Increase in deposits	19(b)	(3,375,311)	(4,508,311)
Surplus /Tax paid to KRA	23	(163,448,114)	(157,864,775)
Increase in RBA trust fund (Decrease)/Increase in Staff Benevolent Fund	24	<u>-</u>	<u>(7,421,834)</u>
Net cash used in financing activities		<u>(166,823,424)</u>	<u>(169,794,920)</u>
Net increase/(decrease) in cash and cash equivalent in the year		<u>49,783,895</u>	<u>(46,434,025)</u>
Cash and cash equivalents as 1 JULY 2017		<u>670,432,664</u>	<u>716,866,689</u>
Cash and cash equivalents as 30 June 2018 & 30 June 2017		<u>720,216,559</u>	<u>670,432,664</u>

RBA Annual Report & Financial Statements for the Year Ended 30th June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018							
	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	%Var	Notes
	2017-18 Kshs	2017-18 Kshs	2017-18 Kshs	2017-18 Kshs	2017-18 Kshs		No.
Fees Income	3,100,000	-	3,100,000	3,350,000	250,000	8%	
Interest from Bank Deposit	3,200,000	-	3,200,000	4,000,830	800,830	25%	a
Investment Income	27,000,000	-	27,000,000	32,638,849	5,638,849	21%	b
Miscellaneous Income	17,000,000	-	17,000,000	12,563,165	(4,436,835)	-26%	c
Retirement Benefits Levy	735,000,000	-	735,000,000	832,884,683	97,884,683	14%	d
Tribunal Fees	60,000	-	60,000	23,380	(36,620)	-61%	e
Total Trading Income	785,360,000	-	785,360,000	885,460,908	100,100,908		
Gross Profit	785,360,000	-	785,360,000	885,460,908	100,100,908		
Expense	-	-	-	-	-		
Bank Charges	-	-	-	609,421	(609,421)		
Board Expenses	23,696,000	(4,000,000)	19,696,000	18,709,175	986,825	5%	
Cleaning Expenses	2,777,800	-	2,777,800	2,915,145	(137,345)	-5%	
Hire of Equipment	2,076,000	(1,000,000)	1,076,000	789,800	286,200	27%	f
Information Technology Systems	22,223,982	-	22,223,982	22,769,534	(545,552)	-2%	
Library Expenses	3,400,000	-	3,400,000	2,696,264	703,736	21%	g
Maintenance Insure & Security of Equipment	4,460,000	-	4,460,000	4,034,345	425,655	10%	h
Medical Expenses	24,720,000	-	24,720,000	20,009,205	4,710,795	19%	i
Motor Vehicle Maintenance & Security	9,900,000	(3,000,000)	6,900,000	3,172,814	3,727,186	54%	j
Office Running Expenses	8,234,800	(1,300,000)	6,934,800	7,215,100	(280,300)	-4%	
Official Entertainment	3,000,000	(500,000)	2,500,000	2,673,094	(173,094)	-7%	
Pension Contribution	41,630,400	-	41,630,400	30,747,800	10,882,600	26%	k
Member Education Seminars	28,200,000	6,300,000	34,500,000	33,478,362	1,021,638	3%	
Personnel Emoluments	294,018,000	-	294,018,000	254,178,944	39,839,056	14%	l
Post & Telephone	8,858,000	(500,000)	8,358,000	7,985,303	372,697	4%	
Power & Lighting	5,400,000	800,000	6,200,000	6,106,411	93,589	2%	
Printing & Stationary	3,838,980	(500,000)	3,338,980	3,039,190	299,790	9%	m
Professional Charges	40,045,000	-	40,045,000	39,716,127	328,873	1%	
Rent & Ground Rates	40,668,396	-	40,668,396	38,286,082	2,382,314	6%	
Research & Development	40,000,000	-	40,000,000	18,855,310	21,144,690	53%	n
Sports & Recreation	12,700,000	-	12,700,000	11,499,748	1,200,252	9%	
Training & Development	30,000,000	1,900,000	31,900,000	31,920,701	(20,701)	0%	
Travel & Accommodation	40,875,000	2,600,000	43,475,000	44,689,731	(1,214,731)	-3%	
Tribunal Expenses	2,470,000	5,700,000	8,170,000	159,000	8,011,000	98%	o
Financial Literacy (Scheme Visit)	7,500,000	-	7,500,000	6,926,750	573,250	8%	
Pension Education (Electronic Media)	18,000,000	-	18,000,000	17,490,180	509,820	3%	
Consumer Protection (Education)	32,000,000	(6,500,000)	25,500,000	26,008,462	(508,462)	-2%	
Depreciation	18,726,282	-	18,726,282	18,062,592	663,690	4%	
Total Expenses	769,418,640	-	769,418,640	674,744,590	(94,674,049)		
Gain/loss on Sale of Assets	-	-	-	-	-		
Total Gain/Losses	-	-	-	-	-		
Surplus before Tax	15,941,361	-	15,941,360	210,716,273	(194,774,957)		
Transferred to G/Fund	-	-	-	-	-		
Installment 90% paid	-	-	-	163,448,114	(163,448,114)		
Surplus Fund after 90%	15,941,361	-	15,941,360	47,268,160	-		

Notes to Budget / expenditure variance

a. Interest from Bank deposits

The increase was due to increase in the frequency of investments.

b. Investment income

The income earned exceeded target because more revenue were available for investment.

c. Miscellaneous income

The income was below target because of the projected reimbursement in respect of staff under secondment reduced because the staffs were recalled

d. Retirement Benefits Levy

Industry growth and effective enforcement measures resulted to high levy collections due to increase in the schemes funds.

e. Tribunal fees

The tribunal committee was not constituted hence the reduced number of court cases

f. Hire of equipment

The saving was because of the reduced billing of the number of machinery hired.

g. Library expenses

There were no journals/ books purchased in the financial year; this resulted to under absorption of the budget.

h. Maintenance insurance and security of equipment

Under absorption was due to delayed delivery of processing documents by the contracted supplier. This has been catered for in the creditors.

i. Medical Expenses

This is attributed to the fund performance, which was at 55% compared to last financial year 105%. This is also attributed to planned recruitment of employees which delayed resulting to under absorption of the budget.

j. Motor Vehicle Maintenance & Security

Due to austerity measures, the Authority did not complete the planned acquisition of new motor vehicle hence the variance.

k. Pension Contribution

Delayed recruitment of projected staff due to austerity measures imposed by the government.

l. Personnel Emoluments

Delayed recruitment of projected staff due to austerity measures imposed by the government.

m. Printing and stationary

The savings resulted from reduction of printing papers

n. Research & Development

Under absorption was due to delayed delivery of the outsourced research papers which were contracted during the year and took so long to undertake. Some of the activities planned for by the department were financed by FSSP hence reduced expenditure on the budget line.

o. Tribunal expenses

The saving was because the tribunal was not constituted during the financial year

NOTES TO FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

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 Authority adopted IPSAS in the year 2014 following the gazettment of the Public Sector Accounting Standards Board (PSASB), which was established by Public Finance Management Act (PFM) No.18 of sector entities, which the Authority complies with. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared based on historical cost and on accrual basis. The cash flow statement is prepared using the Indirect Method.

2. Adoption of new and revised standards

Authority did not adopt any new or amended standards in the year

3. 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) Changes in accounting policies and estimates- IPSAS 3

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

c) 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.

d) Inventories - IPSAS 12

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

e) 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, 2018.

f) 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's assets with specific useful lives and depreciated 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 required 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 considered in determining surplus for the year.

g) Contingent liability- IPSAS 19

There was no contingent liability as at June 30th, 2018

h) 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 separately 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 over provision accrued in the prior years is credited to income while under provisions are charged to income of subsequent year.

i) Budget information- IPSAS 24

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

j) Employee benefits - IPSAS 25

Retirement benefit plans

The Authority operated a defined contribution scheme and the Authority thus had no obligation to scheme as at 30.06.2018. The assets of the scheme are managed and held by registered fund manager and custodian as per the requirement of Retirement Benefits Act, 1997.

k) Financial instruments- IPSAS 30

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.

l) 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.

i. Research and development costs

The Authority expenses research costs as incurred.

m) Taxes- IAS 12

Public Finance Management Act (PFMA) - National Government Regulations, 2015 exempt the Authority from corporate tax and instead the Authority is required to remit into Consolidated Fund (90%) of surplus reported in the Audited annual financial Statement.

n) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements.

o) 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.

p) Comparatives figures

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

q) Related parties

The Authority has disclosed all related party transactions during this reporting period under staff and Board costs. A summary of top Management and Board emoluments are as follows:

Related party transaction	2018	2017
	Kshs	Kshs
The 90% remittance to National Treasury	163,448,114	157,864,775
Chief Executive Officer Emolument	9,600,000	8,000,000
Key Management	73,030,000	68,320,000

Board of Directors (Note 8)	18,709,175	20,021,259
TOTAL	264,787,289	254,206,034

Description

4 Revenue from Non-Exchange Transactions	2018	2017
	Kshs	Kshs
Retirement Benefits Levy	832,884,683	752,545,984
Service Provider Licensing Fee	3,350,000	3,250,000
Total	836,234,683	755,795,984

5 Revenue from Exchange Transactions	2018	2017
	Kshs	kshs
Interest income from Treasury Bills	32,638,849	32,794,323
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Interest income from bank deposits	4,000,830	5,507,591
Total	36,639,679	38,301,914

6 Other Income	2018	2017
	Kshs	Kshs
Tribunal Fee	23,380	47,140
Miscellaneous Income	12,563,165	35,762,984
Income from Sale of Tender	-	-
Insurance Recovery	-	-
Total	12,586,545	35,810,124

Miscellaneous Income

	2018	2017
	Kshs	kshs
Salary reimbursement- PCF	12,100,200	20,508,450
Miscellaneous Income	462,965	1,150,157
Over provisions of bonus written back	-	14,104,377
Total	12,563,165	35,762,984

7 Employee Costs	2018	2017
	kshs	kshs
Personnel Cost	254,178,944	255,622,121
Pension contributions	30,747,800	28,313,000
Medical expenses	20,009,205	22,990,407
Travel and accommodation allowances	-	-

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Total	304,935,949	306,925,528
8 Remuneration of Directors	2018	2017
	kshs	kshs
Chairman's Honoraria	960,000	960,000
Directors emoluments	4,752,000	5,020,000
Other allowances & expenses	12,997,175	14,041,259
Total	18,709,175	20,021,259
9 Depreciation and Amortization Expense	2018	2017
	Kshs	
Property, plant and equipment	18,062,592	19,882,493
Intangible assets	-	-
Investment property carried at cost	-	-
Total	18,062,592	19,882,493
10 Repairs and Maintenance	2018	2017
	kshs	kshs
Property	-	-
Equipment and machinery	4,034,345	2,998,435
Vehicles	3,172,814	8,346,618
Furniture and fittings	-	-
Computers and accessories	-	-
Total	7,207,159	11,345,053
11 General Expenses	2018	2017
	kshs	kshs
Member Education Services	33,478,362	21,505,818
Financial Literacy Activities	6,926,750	15,496,120
Pension Industry Development	17,490,180	9,023,010
Consumer Protection (Education)	26,008,462	30,513,255
Professional Charges	39,716,127	42,389,877
Cleaning Expenses	2,915,145	1,077,880
Power & Lighting	6,106,411	4,764,340
Official Entertainment	2,673,094	3,101,872
Office Running Expenses	7,215,103	8,683,830
Library Expenses	2,696,264	2,681,699
Rent & Ground Rates	38,286,082	36,330,779
Training & Development	31,920,701	26,482,532
Staff welfare- Sports & recreation	11,499,748	11,434,591
Post & Telephone	7,985,303	8,139,884
Travel & Accommodation	44,689,731	35,695,522
Tribunal expenses	159,000	11,851,781

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Hire of Equipment	789,800	1,037,975
Research & Development	18,855,310	36,446,469
Information & Technology Systems	22,769,534	22,403,424
Printing & stationery expenses	3,039,190	3,175,391
Total General Expenses	325,220,293	332,236,049
	2018	2017
12 Finance Costs	kshs	kshs
Bank charges	609,421	521,831
Total finance costs	609,421	521,831
	2018	2017
13 Gain/Loss on Sale of Assets	kshs	kshs
Property, plant and equipment		
Cost	-	4,873,447
Less: Accumulated Depreciation	-	3,559,786
Proceeds from sales	-	232,750
Total gain on property, plant and equipment	-	1,080,911
Intangible assets	-	-
Other assets not capitalized	-	-
Total gain on sale of assets	-	1,080,911
	2018	2017
14 Remission to National Treasury	kshs	kshs
Current financial year refund	-	-
Deferred refund- surplus	163,448,114	157,864,775
Total	163,448,114	157,864,775
	2018	2017
15 Cash and Cash Equivalents	kshs	kshs
Current account		
KCB-Milimani (Main Account)	81,686,173	90,824,592
KCB-Milimani (Revenue A/C)	17,830,109	19,800,187
Barclays Bank (Office Account)	32,600,277	50,802,685
Sub-total	132,116,559	161,427,464
CBK- 91 Treasury Bills	588,100,000	509,005,200
CBK-182 Treasury Bills	-	-
Sub-total	588,100,000	509,005,200
Total	720,216,559	670,432,664
	2018	2017
16 Receivables from Non-Exchange Contracts	Kshs	Kshs
Current receivables		

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Interest receivable on T-bills	8,159,648	5,059,699
Reimbursement from seconded staff	-	2,280,000
RBA Levy Receivable	-	1,702,997
Total current receivables	8,159,648	9,042,696

17 Prepayments from Exchange Transactions	2018	2017
	kshs	kshs
Prepayment Account- Debtors	1,681,265	6,984,874
Prepayable (others)	2,493,576	-
Provision for doubtful debt	- 919,647	- 919,647
	3,255,193	6,065,227

18 Property, plant and equipment

	Motor Vehicles	Furniture and fittings	Plant & Equipment	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2016	28,488,207	34,957,055	107,549,886	170,995,148
Additions	18,855,828	1,574,491	1,821,988	22,252,307
Disposals	-	1,897,166	2,976,282	4,873,448
Transfers/ adjustments	-	-	-	-
At 30th June 2017	47,344,035	34,634,380	106,395,592	188,374,007
Additions	-	7,625,965	15,032,261	22,658,227
Disposals	-	-	-	-
Transfers/ adjustments	-	-	-	-
At 30th June 2018	47,344,035	42,260,345	121,427,853	211,032,234
Depreciation and impairment				
At 1 July 2016	23,245,068	17,184,404	70,290,130	110,719,602
Depreciation	1,966,178	2,786,667	15,129,648	19,882,493
Depreciation written back on disposal	-	1,189,837	2,369,950	3,559,787
Impairment	-	-	-	-
At 30th June 2017	25,211,246	18,781,234	83,049,828	127,042,308
Depreciation	5,533,197	2,934,889	9,594,506	18,062,592
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfers/ adjustments	-	-	-	-
At 30th June 2018	30,744,443	21,716,123	92,644,334	145,104,900
Net book values				
At 30th June 2018	16,599,592	20,544,222	28,783,519	65,927,334
At 30th June 2017	22,132,789	15,853,146	23,345,764	61,331,699

19 Investments	2018	2017
	kshs	kshs
Fixed deposits account	4,896,534	4,896,534
Staff car loan/mortgage	308,206,336	304,831,025
Total	313,102,870	309,727,559

a) On- Call Deposits	2018	2017
	kshs	kshs
RBA rent guarantee deposit	4,896,534	4,896,534
Sub-total	4,896,534	4,896,534
b) Staff car loan/ mortgage	2018	2017
	kshs	kshs
KCB Car loan security account	36,005,248	36,005,248
S&L mortgage deposits	230,646,808	228,697,968
NIC car loan deposit	9,989,239	9,885,144
HFCK mortgage deposits	31,565,041	30,242,665
Sub-total	308,206,336	304,831,025
20 Employer Benefit Obligations	2018	2017
	Kshs	Kshs
Staff bonus	12,411,545	12,411,545
Staff gratuity	1,100,000	1,100,000
Board bonus	3,200,000	3,200,000
Total Employer Obligations	16,711,545	16,711,545
21 Creditors	2018	2017
	kshs	Kshs
Audit fees	750,000	750,000
Board Expenses	-	50,800
Cleaning Expenses	-	87,651
Consumer Education	30,550	-
Furniture & Fittings	6,190,788	-
Information system expenses	-	750,800
Insurance & maintenance of mv expenses	108,728	196,054
Maintenance of Office Equipment	73,107	25,000
Medical Expenses	3,666,304	4,500,000
Office Equipment @ cost	-	297,064
Office Running Expenses	197,763	293,705
Official Entertainment	309,910	149,100
Pension Industry Development	2,240,000	192,000
Power & Lighting	-	426,858
Printing & Stationary	-	55,300
Professional service expenses	627,720	642,432
Rent	105,075	-
Research & Development	3,054,148	2,469,703
Sports & Recreation	362,834	-
Telephone & other communication expenses	8,195	247,956
Travel & Accommodation	377,069	174,213

Total	18,102,191	11,308,636
22 Capital Fund	2018	2017
	kshs	kshs
Capital Fund (Seed Capital)	45,457,000	45,457,000
Additional GOK Grants (FLSTP) project	63,900,000	63,900,000
	109,357,000	109,357,000
23 Accumulated Surplus	2018	2017
	kshs	kshs
General reserve fund	919,222,664	939,192,554
	-	-
Surplus paid to GOK	163,448,114	- 157,864,775
Net Profit (current year)	210,716,317	137,894,885
Total	966,490,868	919,222,664
24 RBA Trust Fund	2018	2017
	Kshs	Kshs
Balance b/f	-	7,421,834
Trust Fund paid	-	- 7,421,834
Additional Trust Fund received in year	-	-
Total RBA Trust Fund	-	7,421,834

OTHER DISCLOSURES

25. World Bank Support under FSSP.

The Retirement Benefit Authority (RBA) through the World Bank Financial Sector Support Project for Kenya, managed under the National Treasury, received financial support to improve pension sector performance. Through this support, the following projects were undertaken.

Capacity building of staff – Different Trainers

Review of the Risk Based Supervision System (RBSS) the Authority adopted way back in 2011
– Adrian Vuggs

Broadening the scope for pension funds investment to include infrastructure and other alternative investments and measure the performance of pension funds' investments – Andrew Slater

A study on the administrative platforms used by the informal sector pension schemes in Kenya and the review of the existing Mbao Pension scheme platform for enhanced efficiency and robustness – PinBox Consulting

Support an upgrade of IT systems to enhance the supervisory and oversight efficiency of the RBA

All payments were done directly by FSSP delivery unit to the contracted agents as per the summary bellow

Project Purpose	Contracted Agent	Amount
Capacity Building (Training)	Training fees/ Subsistence allowance/Travel Cost	22,536,591
Research on Broadening the scope for pension funds investment	Andrew Slater	3,633,041
Review of Risk Based System	Adrian Vuggs	4,532,132
Review of Existing Mbao Pension scheme platform	PinBox Consulting	23,366,842
Total		54,068,608

26. Commitments and contingencies on Capital Expenditure

	Authorised but not yet contracted:		2017-2018
			Kshs.
No.	Vehicle Type	Make	
1	Toyota Hiace Microbus Model: KDH222R-LENDY 2.5LTR turbo charged engine fitted with 9 Executive seats	Toyota Hiace Microbus	4,153,224
2	Furniture & fitting for 4th Floor		3,500,000
	Total Value		7,653,224

These commitments occurred due to delay in approval for the Authority to purchase the Motor vehicle, delay in the completion of the partitioning of additional space acquired on fourth floor, which required being equipped with furniture. This led to delay in procurement of furniture for the space.