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Retirement Benefits Authority

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*“Dignity in Retirement”*



## INDUSTRY BRIEF

December 2024

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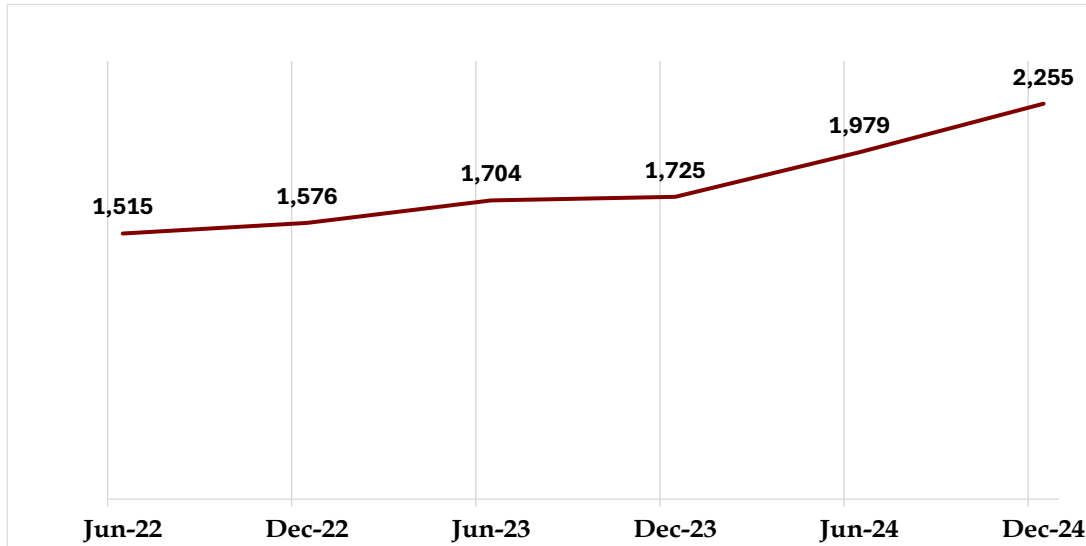
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## 1. SUMMARY OF ASSETS UNDER MANAGEMENT

The total pension industry Assets Under Management (AUM) for the period ending 31<sup>st</sup> December 2024 was Ksh. 2,255.3 billion. This is an increase of Ksh. 276.5 billion from Ksh. 1,978.8 billion reported in June 2024, representing a 14% growth over the period, as shown in Figure 1.



**Figure 1: Total Pension Assets under Management Trend (Kshs.Bn)**

The growth in assets witnessed during the period emanated mainly from investment income and contributions, particularly NSSF contributions that moved to year two of implementation, where the lower limit increased from Kshs. 6,000 to 7,000 and the upper limit from Kshs. 18,000 to 36,000.

Likewise, the investment income made during the period was a result of a stable macroeconomic environment. Most of the key macroeconomic variables remained stable during the reporting period. During the second half of the year, inflation declined, the exchange rate remained stable, and interest rates continued to follow a downward trend. Notably, 92% of pension assets continued to be concentrated in 4 asset classes, including government securities, guaranteed funds, quoted equities, and immovable property.

RETIREMENT PLAN

## 2. PENSION INVESTMENT ASSET ALLOCATION



Table 1 below shows the different asset classes that pension funds have invested their assets in.

**Table 1: Pension Asset Allocation (Kshs. Bn)**

S/No.	Investment Asset Category	Dec-22		Dec-22		Jun-23		Dec-23		Jun-24		Dec-24		% Change
		Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	Kshs. (Bn)	(%)	
1	Government Securities	695.5	45.9%	722.0	45.8%	814.3	47.8%	818.9	47.5%	1,011.2	51.1%	1,183.3	52.5%	↑ 17.0%
2	Quoted Equities	206.1	13.6%	215.2	13.7%	174.1	10.2%	145.2	8.4%	175.0	8.8%	202.3	9.0%	↑ 15.6%
3	Immovable Property	239.2	15.8%	248.4	15.8%	246.3	14.4%	242.1	14.0%	236.3	11.9%	249.2	11.0%	↑ 5.5%
4	Guaranteed Funds	284.5	18.8%	298.0	18.9%	327.0	19.2%	358.1	20.8%	405.2	20.5%	437.5	19.4%	↑ 8.0%
5	Listed Corporate Bonds	7.4	0.5%	7.8	0.5%	7.5	0.4%	6.7	0.4%	7.0	0.4%	6.3	0.3%	↓ -10.1%
6	Fixed Deposits	36.4	2.4%	42.2	2.7%	67.7	4.0%	81.9	4.8%	53.2	2.7%	53.7	2.4%	↑ 0.9%
7	Offshore	15.2	1.0%	14.1	0.9%	22.3	1.3%	27.2	1.6%	39.0	2.0%	64.5	2.9%	↑ 65.3%
8	Cash	20.7	1.4%	16.8	1.1%	22.6	1.3%	25.0	1.5%	24.7	1.2%	23.1	1.0%	↑ -6.6%
9	Unquoted Equities	4.4	0.3%	5.0	0.3%	5.1	0.3%	3.6	0.2%	3.9	0.2%	4.0	0.2%	↑ 0.3%
10	Private Equity	3.4	0.2%	3.6	0.2%	5.4	0.3%	5.7	0.3%	8.8	0.4%	16.2	0.7%	↑ 85.1%
11	Real Estate Investment Trusts (REITs)	0.3	0.0%	0.3	0.0%	10.6	0.6%	11.1	0.6%	11.1	0.6%	11.7	0.5%	↑ 5.5%
12	Commercial paper, non-listed bonds by private companies	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	3.1	0.2%	3.2	0.1%	↑ 5.5%
13	Other Assets	0.2	0.1%	2.7	0.2%	0.0	0.0%	0.0	0.0%	0.1	0.003%	0.2	0.01%	↑ 204.7%
<b>Total</b>		<b>1515.0</b>	<b>100%</b>	<b>1576.0</b>	<b>100%</b>	<b>1704.0</b>	<b>100%</b>	<b>1725.0</b>	<b>100%</b>	<b>1,979.0</b>	<b>100%</b>	<b>2,255.3</b>	<b>100%</b>	<b>↑ 13.96%</b>

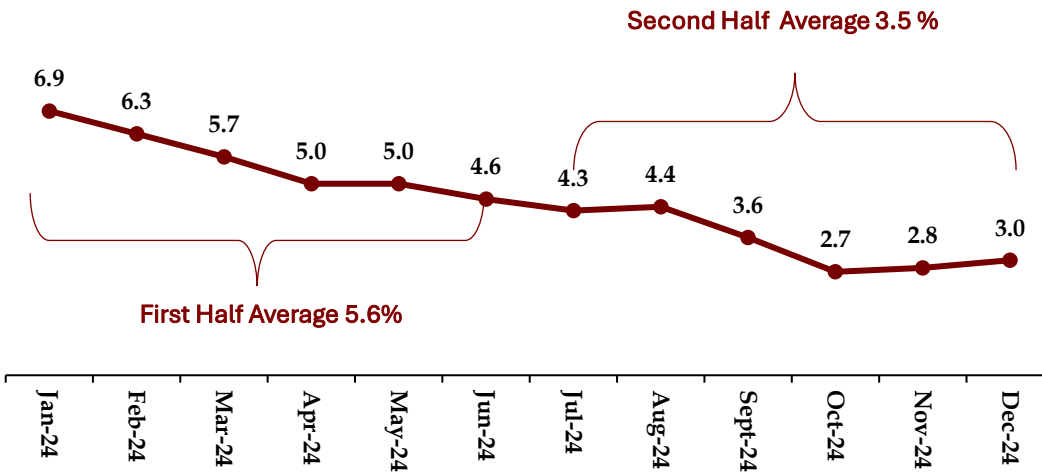
Over the past six months, there was significant growth in investment in the “Other asset” class attributable to investment in the Mansa-X shariah compliant fund made during the period. Significant growth was also recorded in other asset classes including private equity at 85.1%, offshore investment at 65.3%, government securities at 17.0%, quoted equities at 15.6%, and guaranteed funds 8.0%. Conversely, a significant decline was observed in listed corporate bonds, which fell by 10.1%.

A key highlight of the period is the rebound in quoted equities, which had been on a steady decline over the past two years. This growth is attributed to the recovery of the stock market and a stable exchange rate, attracting more foreign investment.

### 3. MACRO-ECONOMIC INDICATORS

Key macroeconomic indicators such as inflation rate, exchange rates, and bank interest rates have a direct impact on the investment performance of pension funds. Below are trends in key microeconomic indicators in 2024.

#### 3.1 Inflation Rate



As shown in Figure 2, the average inflation rate over the last 6 months was 3.5%, a drop from an average of 5.6% over the first part of the year.

Figure 2: 2024 Inflation Rate Trend

Source: CBK

#### 3.1 Exchange Rates

The exchange rate has a direct impact on earnings from offshore investments. With most offshore investments being denominated by the US dollar, the Kenyan shilling generally remained stable against the US Dollar over the second half of the year, compared to the first part of the year as observed in Figure 3.

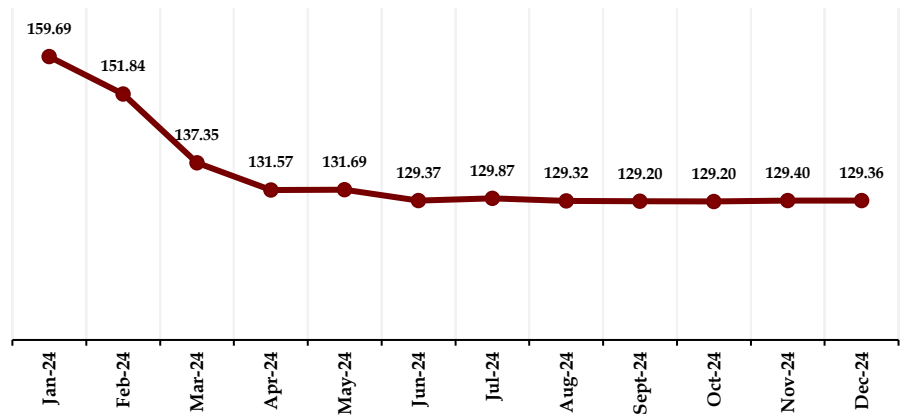
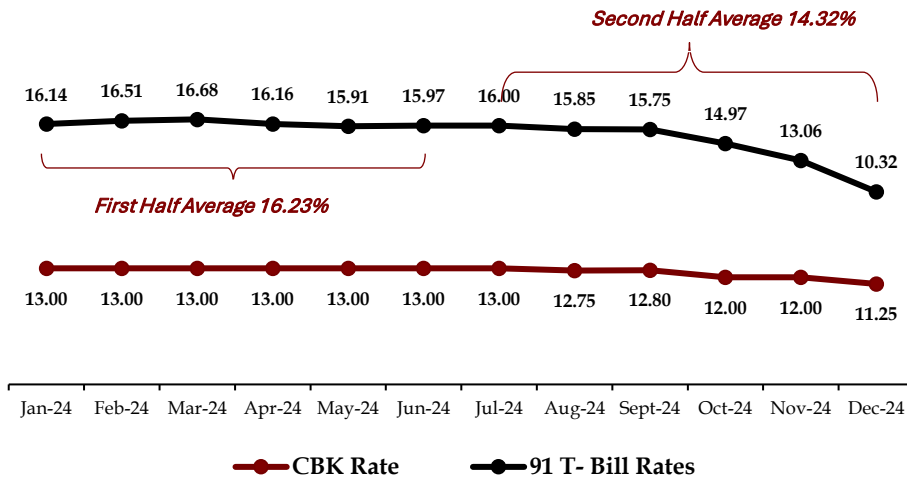


Figure 3: 2024 Exchange Rate Trend (US Dollar)

Source: CBK

### 3.2 Interest Rate

With most investments being in government securities and fixed deposits, interest rates on T-bills and the CBK rates have a significant impact on scheme earnings.



Both the CBK rate and the 91-day Treasury bill yield have decreased. The CBK rate dropped from 13% in June 2024 to 11.25% in December 2024. Similarly, the average yield on 91-day Treasury bills declined from 16.23% in the first half of the year to 14.32% in the second half as indicated in Figure 4 .

Figure 4: 2024 Interest Rate Trends

Source: CMA

### 3.3 Capital Market Performance

With 9.35% of total pension assets invested in quoted equities, the performance of the stock market is critical for the pensions industry. The table below shows the key performance indicators for the capital markets.

Table 2: Key Capital Market Performance Indicators 2024

Key Performance Indicator	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Half Year Change
End Period NSE 20-Share Index	1752.43	1656.5	1775.67	2010.65	↑ 21%
End Period NASI	113.09	109.49	107.08	123.48	↑ 13%
Shares Volume Traded (Mn)	1097.33	1090.22	1020.65	1729.31	↑ 59%
Equity Turnover (KShs. Bn)	19.07	28.39	17.39	41.12	↑ 45%
Bonds Turnover (KShs. Bn)	458.2	323.61	391.04	371.52	↑ 15%
End-Period Mkt. Cap (KShs. Bn)	1766.95	1710.64	1676.24	1939.74	↑ 13%

#### Key highlights from Table 2:

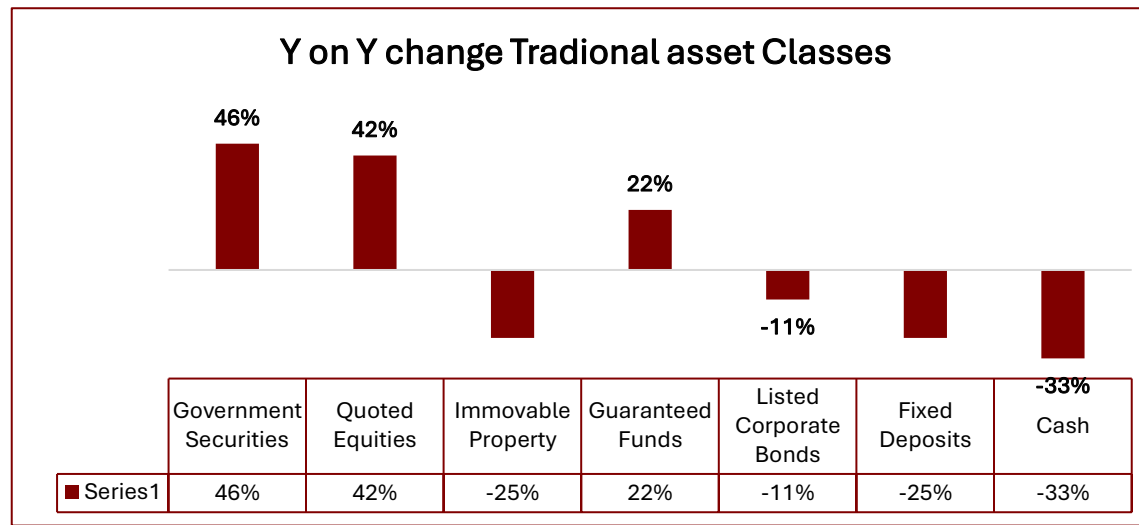
- The NSE 20 Share Index increased by 21% from 1,656.50 points in Q2 to 2010.65 points in Q4 2024.
- The NSE All Share Index increased by 13% from 109.49 in Q2 points to 123.48 points in Q4 2024.
- The volume of shares traded increased significantly by 59% from 1090.22 million shares in Q2 to 1729.31 million shares in Q4.
- The equity turnover increased by 45 % from 28.39 billion in Q2 to Kshs.41.12 billion in Q4 2024.
- In the bond market, the bonds turnover increased by 15%, from Kshs.323.61 billion traded in Q2 2024 to Kshs. 371.52 billion in Q4 2024.
- The market capitalization increased by 59% from Kshs.1,090.22 billion in Q1 to Kshs.1,729.31 billion in Q4 2024.

## 4. CHANGES IN INVESTMENT ALLOCATION

This section highlights shifts in the allocation of investment assets within the pension sector

### 4.1 Investments In Traditional Asset Classes

Traditional investment assets have long been favored by pension schemes due to their stability and predictable returns, and they continue to constitute the bulk of scheme investments. Over the past year, however, there has been a shift in activity levels across different asset classes—with some experiencing increased investment, while others saw a decline, as illustrated in the chart below.



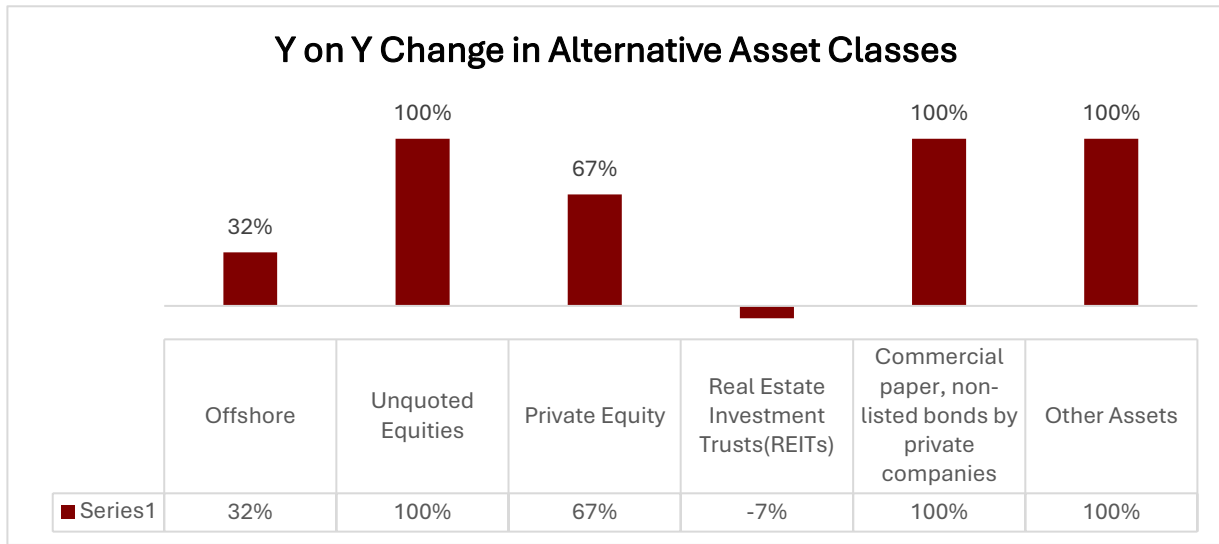
**Figure 5: Year on year Changes in Investment in Traditional Asset Classes**

As indicated in Figure 5, traditional asset classes continue to dominate pension fund investments, accounting for 94.82% of total pension assets across the six primary investment categories. Investments in government securities saw a significant 46% increase, driven by rising interest rates. Quoted equities also recorded substantial growth of 42%, supported by a market rebound, particularly in the last quarter of 2024.

Guaranteed funds experienced significant growth over the period (22%). However, investments in immovable property declined by 25% as schemes shifted towards more liquid assets. Similarly, fixed deposits contracted by 25% as pension schemes opted to invest directly in government securities, which offered more attractive returns. Conversely, cash holdings by pension schemes declined by 33% as schemes capitalized on more lucrative investment opportunities.

## 4.2 Investments In Alternative Asset Classes

Alternative assets offer schemes avenues for diversification. The uptake has been slow in these classes due to uncertainties of earnings associated with them. Over the last one year, there was increased activity in some of the classes, while others saw decreased activity as illustrated in the Figure 6.



**Figure 6: Year-on-Year Changes in Alternative Investment Classes**

Over the past few years, there has been a notable increase in the uptake of five alternative asset classes by pension schemes. Unquoted equities, commercial paper and non-listed bonds, and other alternative assets all recorded impressive growth of over 100%. Private equity investments grew by 67%, while offshore investments increased by 32%, as shown in Figure 6.

This upward trend indicates a growing attitude among pension schemes for alternative investments to diversify their portfolios and tap into non-traditional sources of income.

However, Investments in Real Estate Investment Trusts (REITs) declined by 7%, largely attributed to subdued activity in the REITs market. This highlights the importance of market development and liquidity in driving investment decisions the provided asset classes.



### 4.3 Compliance With Statutory Investment Limits

Overall, all categories of investment were within the statutory investment limits provided in the Retirement Benefits Regulations, as shown in Figure 7.

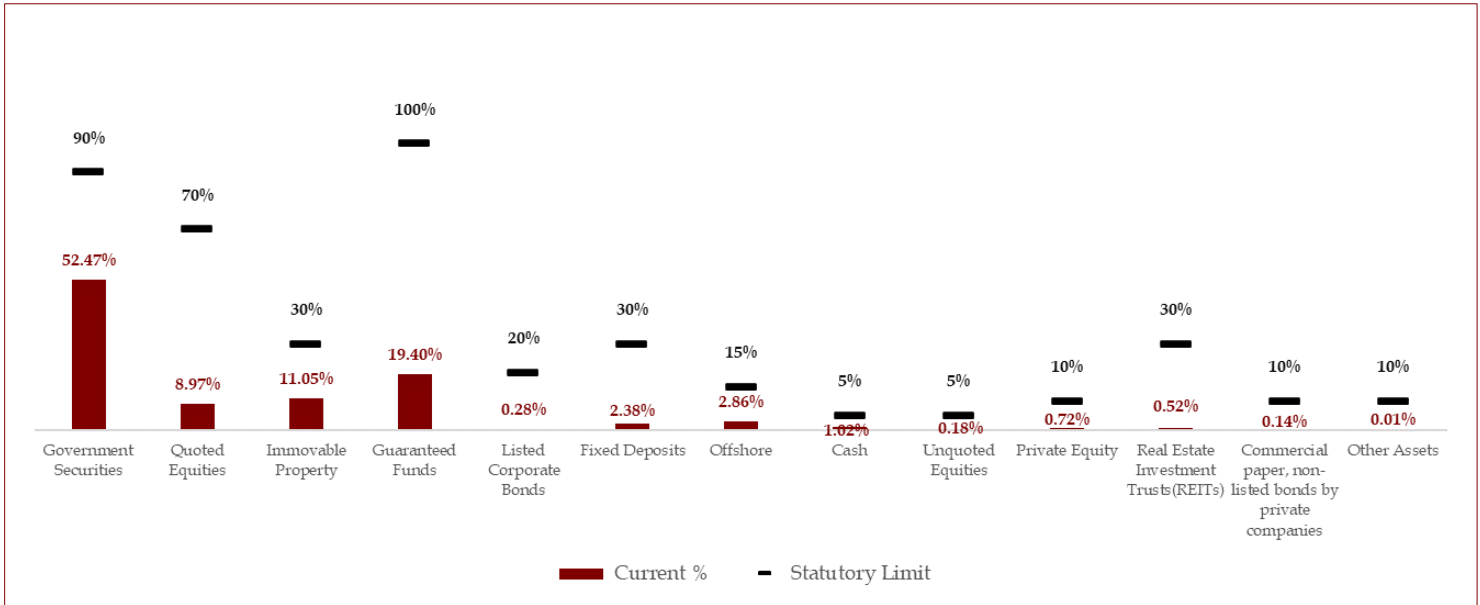


Figure 7: Pension Asset Investments vs Statutory Limits

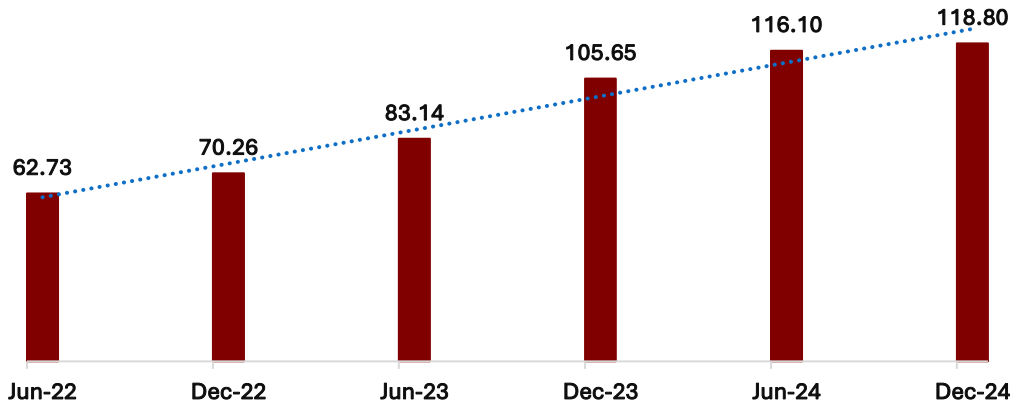
The figure illustrates that there remains significant room for growth across all investment classes. Government securities continue to be the preferred asset class, accounting for 52.4% of total pension scheme investments, below the regulatory limit of 90%.



## 5 PENSION CONTRIBUTION TRENDS

This section highlights trends in pension contributions.

### 5.1 Total Pension Contribution



Pension contributions over the last three years show an overall upward trend, rising from Ksh 62.73 billion for the half year ending June 2022 to Ksh 118.80 billion for the half ending December 2024, as shown in Figure 8.

Figure 8: Total half-yearly pension contributions (Kshs.Bn)

### 5.2 Contributions to Post-Retirement Medical Funds

Post-Retirement Medical Funds (PRMFs) play a critical role in ensuring healthcare access for retirees. Contributions to PRMFs have risen sharply since September 2024, primarily due to increased contributions from state agencies and other government-linked institutions. This was informed by Treasury Circular Treasury Circular No. 9 / 2024 allowing these institutions to make such contributions on behalf of their employees in accordance with the post-retirement medical fund rules

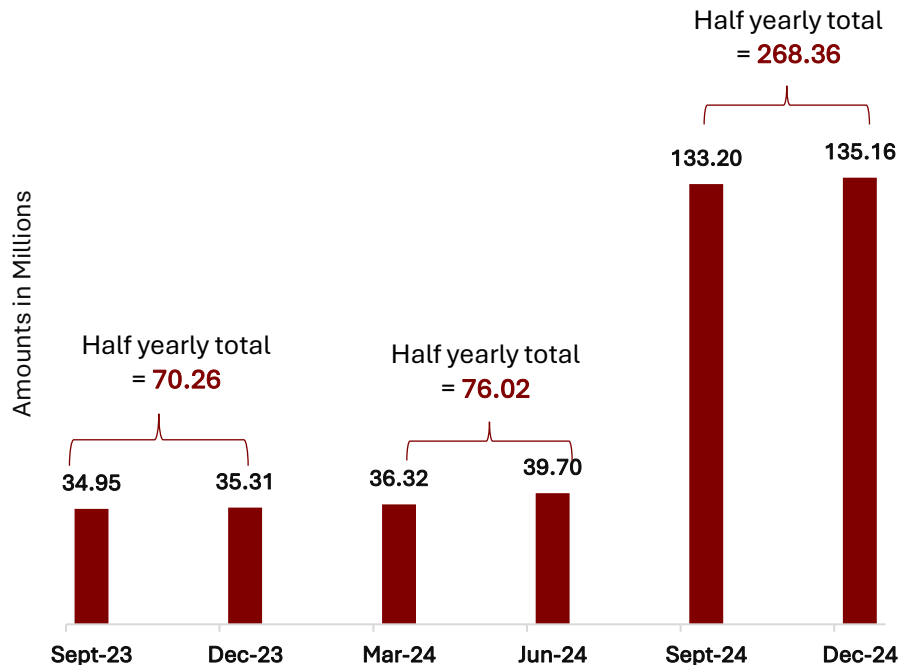


Figure 9: Total PRMF Contributions (Kshs. Mn)

## 6 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS



This section provides insights into funds held by fund managers and approved issuers.

### 6.1 Funds Held by Fund Managers

For the period ending December 2024, 21 fund managers submitted their returns to RBA, an increase from 20 who submitted for the period ending June 2024. Assets under management by fund managers also increased by 16% from **Ksh. 1,483.37 billion** to **Ksh. 1,714.80 billion** over the same period. From Table 3 below, the **top 5** fund managers control 91.9% of total assets under management.

Table 3: Funds Under Management by Fund Managers

Fund Manager	AUM, Jun 2024	AUM, Dec 2024	% Change	% Market Share
Genafrica Asset Managers Limited	465.72	651.43	40%	37.989%
Co-optrust Investment Services Limited	231.05	303.43	31%	17.695%
Sanlam Investments East Africa Limited	254.00	228.86	-10%	13.346%
African Alliance Kenya Asset Management Limited	99.66	201.04	102%	11.724%
Old Mutual Investment Group Limited	243.07	191.28	-21%	11.155%
ICEA Lion Asset Management Limited	81.38	78.52	-4%	4.579%
CIC Asset Management Limited	70.49	35.82	-49%	2.089%
Britam Asset Managers Kenya Limited	26.25	9.51	-64%	0.554%
NCBA Investment Bank Ltd	6.28	7.15	14%	0.417%
ABSA Asset Management LTD	3.42	3.97	16%	0.232%
Globetec Asset Management Limited	1.52	2.13	40%	0.124%
Zimele Asset Management Company Limited	0.00	0.69		0.040%
Mayfair Asset Managers Limited	0.01	0.29	3662%	0.017%
Dry Associates Limited	0.27	0.27	0%	0.016%
Kuza Asset Management Limited	0.04	0.15	234%	0.009%
Cytonn Asset Managers Limited	0.07	0.08	14%	0.004%
KCB Asset Management Limited	0.05	0.06	6%	0.003%
Amana Capital Limited	0.04	0.05	13%	0.003%
Fusion Investment Management Limited	0.03	0.03	11%	0.002%
Genghis Capital Ltd	0.03	0.03	-1%	0.002%
Lofty Corban Investments Limited	0.00	0.02		0.001%
<b>Total</b>	<b>1,483.37</b>	<b>1,714.80</b>	<b>16%</b>	<b>100%</b>

## 6.2 Assets Under Approved Issuers

At the end of December 2024, **18 issuers** submitted their returns to RBA, the same as those who did in June 2024. However, there was an 8% growth in assets under management, with assets growing from **Ksh. 405.53 billion** in June to **Ksh. 437.51 billion** in December 2024. From the data provided in Table 4, the top 5 approved issuers hold 85.08% of all guaranteed funds.

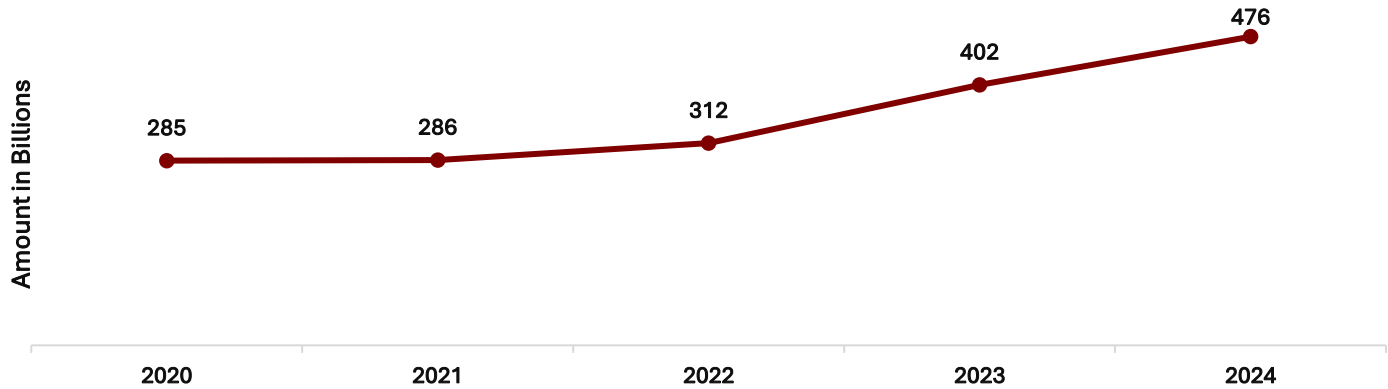
*Table 4: Funds Held by Approved Issuers*

Approved Issuer	AUM Jun 2024 (Bn)	AUM Dec 2024 (Bn)	% Change	% Market Share
ICEA Lion Life Assurance Limited	100.54	108.17	8%	24.724%
The Jubilee Insurance Company of Kenya Limited	89.27	102.66	15%	23.465%
Britam Life Assurance Company Kenya Limited	69.12	72.37	5%	16.541%
Kenindia Assurance Company Limited	50.64	51.99	3%	11.882%
GA Life Assurance Limited	34.57	37.04	7%	8.466%
CIC Life Assurance Limited	12.98	15.01	16%	3.430%
Equity Life Assurance Company (Kenya) Limited	9.51	9.72	2%	2.221%
APA Life Assurance Limited	6.96	7.41	6%	1.693%
Pioneer Assurance Company Ltd.	7.11	7.38	4%	1.686%
Madison Life Assurance Kenya Limited	4.95	5.24	6%	1.197%
The Kenyan Alliance Insurance Company Limited	4.83	5.02	4%	1.148%
UAP Life Assurance Limited	4.94	4.50	-9%	1.028%
Sanlam Life Insurance Limited	3.11	3.02	-3%	0.689%
Liberty Life Assurance Kenya Ltd	2.64	2.83	7%	0.647%
Prudential Life Assurance Kenya	1.77	2.40	36%	0.549%
Kenya Orient Life Assurance Limited	1.53	1.65	8%	0.378%
Geminia Insurance Company Limited	0.63	0.68	7%	0.155%
The Monarch Insurance Company	0.42	0.43	2%	0.098%
<b>Total</b>	<b>405.53</b>	<b>437.51</b>	<b>8%</b>	<b>100.000%</b>

## 7 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

This section provides insights and trends for funds held by NSSF.

### 7.1 NSSF Growth in Assets



*Figure 10: Annual Trend Analysis of Total Net Assets held by NSSF (Kshs. Bn)*

The total net assets held by NSSF as of 31 December 2024 were Kshs. 476.8 billion, translating to a growth of Kshs. 74.8 billion over the last half year from Kshs. 402.0 billion as of 30 June 2024, as shown in Figure 10. The externally managed funds increased over the period by Kshs. 75.9 billion, from Kshs. 348.70 billion in June 2024 to Kshs.424.6 billion in December 2024. Internally managed funds amounted to Kshs. 52.2 billion<sup>1</sup>. Table 5 below shows the distribution of the NSSF funds managed by various fund managers.

*Table 5: NSSF Portfolio Managed by External Managers*

Fund Manager	Assets in Billions						
	Dec-21	Jun-22	Dec. 2022	Jun-23	Dec-23	Jun-24	Dec-24
Gen Africa Asset Managers	56.4	54.5	57.3	59.0	59.2	70.8	133.5
Old Mutual Asset Managers (Kenya) Limited	48.3	46.3	49.2	51.1	52.9	62.4	-
African Alliance Kenya Investment Bank Limited	42.6	41.4	43.8	46.4	51.3	77.9	171.7
SANLAM Investment East Africa Ltd	46.0	43.9	39.5	26.7	30.2	36.2	-
Co-op Trust	46.9	45.0	47.8	50.5	52.9	64.0	119.4
CIC Asset Management Ltd	0.1	3.0	12.5	28.0	31.4	37.4	-
<b>Total</b>	<b>240.4</b>	<b>234.1</b>	<b>250.0</b>	<b>261.7</b>	<b>277.9</b>	<b>348.7</b>	<b>424.6</b>

The growth in total funds under management by NSSF, both internally and externally, has been driven by growth in member contributions over the last few years.

<sup>1</sup> The internal investments by NSSF include immovable property investments at Kshs. 38.61 billion and the balance is held in other assets such as intangible assets, inventories, staff mortgage scheme, accrued income, trade and other receivable and staff car loans.

Contributions to NSSF have been on a steady growth over the last three years as shown in Figure 11. The increase in contributions is attributed to the continued implementation of the NSSF Act of 2013.

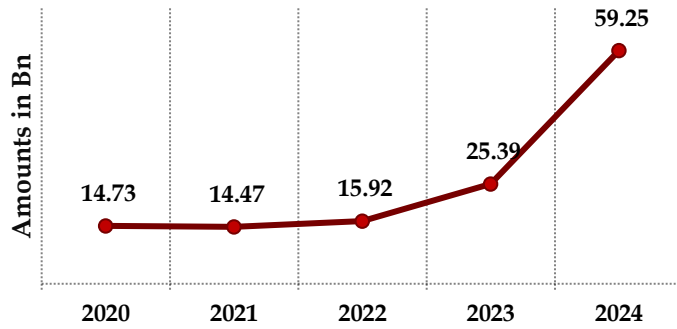


Figure 11: Trend analysis in total yearly Contributions to NSSF

## 7.2 NSSF Investment Asset Allocation

Figure 12 below shows asset allocation by NSSF into different investment asset classes.

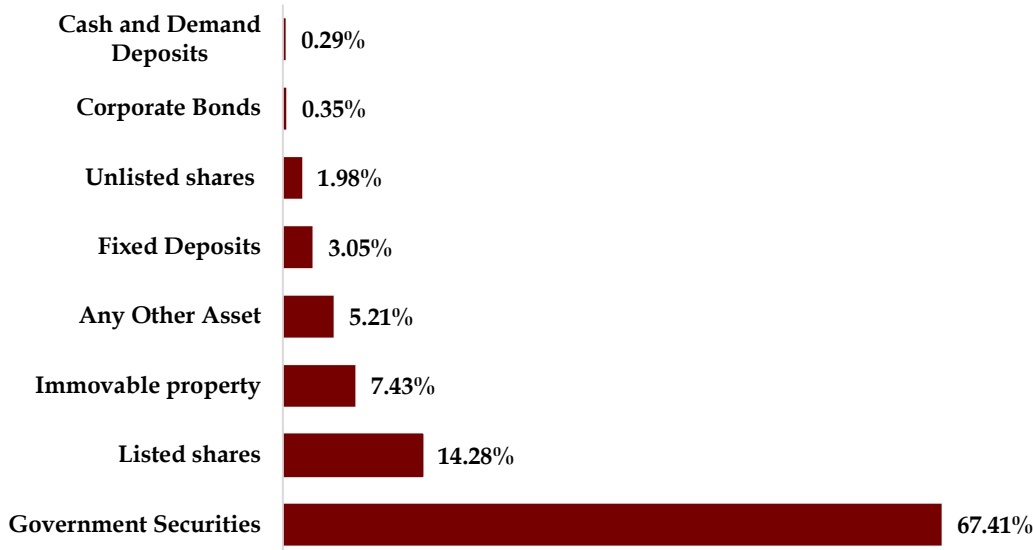


Figure 12: NSSF Asset Allocation

A majority of NSSF assets (67%) are invested in government securities as shown in the figure above with. Listed shares form 14.28% of the fund’s investment assets, while 7.43% of the assets are in immovable property. Other assets form 5.21% of the portfolio. The rest of the portfolio comprises of fixed deposits (3.05%), unlisted shares (1.98%), corporate bonds (0.35%) and cash and demand deposits (0.29%).





## 8 KEY INDUSTRY RATIOS

### 8.1 Liquidity ratio

The ratio gauges pension funds' capacity to meet their financial obligations arising from pension payments.

Liquid assets comprise:

- 1) Currency;
- 2) Deposits and other financial assets that are available either on demand or within one year or less; and
- 3) Securities that are traded in liquid markets.

#### Equation 1: Liquidity Ratio

$$\text{Liquidity ratio} = \frac{\text{Pension Funds Liquid Assets}}{\text{Total Pension Assets}} * 100$$

<b>Liquid Pension Assets</b>	1,967.8 billion	<b>89.18%</b>
<b>Total Pension Assets</b>	2,206 billion	

The current liquidity ratio is 89.18%, meaning that pension funds are highly liquid and should be able to meet any expected liabilities in the next one year.

### 8.2 Pension Asset to GDP ratio

The Pension Asset to GDP provides insight into the size and significance of a country's pension system relative to its economy.

#### Equation 2: Pension to GDP Ratio

$$\text{Pension to GDP Ratio} = \frac{\text{Total Pension Assets}}{\text{Total Country's GDP}} * 100$$

<b>Total Pension Assets</b>	2.206 trillion	<b>14.6%</b>
<b>Total GDP Dec. 2024</b>	15.109 trillion	

The pension to GDP ratio is currently at **14.6%**.

Kenya's ratio is still lower than that of most middle-income economies, indicating a need for policy reforms aimed at increasing pension coverage and encouraging savings.

## 9 FUTURE OUTLOOK

The retirement benefits assets are expected to grow in the first half of 2025 driven by member contributions, especially with the increase in contributions to NSSF. In addition, investment income from fixed income investments income where most schemes have invested their funds, is expected to further fuel this growth. Lastly, the rebound of the stock markets is also expected to further boost growth, especially for schemes that have substantial investments in listed equities.