Retirement Benefits Authority
safeguarding your retirement benefits

THE PENSIONER

A MAGAZINE OF THE RETIREMENT BENEFITS AUTHORITY | A WORLD CLASS PENSION REGULATOR

JANUARY - JULY 2019 ISSUE

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SIX WAYS TO RUIN YOUR RETIREMENT

RBA is now ISO 9001:2015 certified

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Word from the editor

The second issue of The Pensioner Magazine is richer and deeper on pension industry issues.

Your feedback on our inaugural issue has helped us get better. We truly appreciate.

In this issue, we inform you on the latest happenings in the industry with snapshots on how the media has been covering the sector.

It is important to note that the Authority has started enforcing penalties against laggard employers found culpable of not remitting or delaying workers' pension remittances.

Treasury Cabinet Secretary Henry Rotich, through the Finance Bill 2018, introduced amendments defining the reporting period for the retirement schemes effective October 2018.

Previously late submissions attracted a Sh5,000 daily fine for the schemes until the day financials were submitted, with no penalty for the bosses

The new requirement forcing retirement schemes to publicly publish financial reports and employers to make timely staff contributions is a fresh strategy to enhance transparency and integrity in Kenya's Sh1.2 trillion pension industry.

Read on to find out what the amended law further says regarding employers who fail to adhere to the set timelines.

In this edition we also share a list of all licensed service providers and the various notices the authority has released in the recent past.

You may share comments or contribute an article for the next edition by writing to us via email: editorial@rba.go.ke.

Follow us on twitter: @RBAKenya, like our Instagram and Facebook pages to join the #ASKRBA #PensionWatchKE conversation.

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Word from the CEO

It is my great pleasure to present the second edition of The Pensioner Magazine, the watchdog of the pension industry.

In this issue we present the retirement benefits industry insight for the period from 1st July to 31st December 2018 alongside many insightful articles and commentaries from industry experts.

The overall performance of the sector during Q3 of 2018 was positive. The overall retirement benefits assets increased by about KShs. 200 billion to Kshs 1.2 trillion reflecting a 2 percent increase for the quarter. This relative slowdown in performance can be attributed to low performance recorded from the money market and the property markets.

The continued accumulation of pension fund assets is expected to potentially promote depth and liquidity in the capital markets because of the different investment behaviour between households and pension funds.

With accumulating assets and the longer-term nature of their liabilities, pension funds have incentives to invest more in illiquid and long-term assets that yield higher returns, thus provide a long-term supply of funds to the capital market.

Pension fund activities will induce capital and financial market development through their substitution and complementary roles with other financial institutions. As competing intermediaries for household savings and corporate financing, pension funds foster competition and may improve the efficiency of the loan and primary securities market.

Other potential impacts from the growth of pension funds include an inducement towards financial innovation, improvement in financial regulations and governance, modernization in the infrastructure of securities market and an overall improvement in financial market efficiency and transparency.

The accumulated assets will play a key role in the implementation of the Government policy of "The Big 4 agenda". The Authority has collaborated with stakeholders in supporting the implementation of "The Big 4 agenda" in the following ways:

- Towards affordable healthcare, the Authority developed guidelines on post-retirement medical plans that allow for creation of a fund to finance medical expenses for members in post-retirement. The Post Retirement Medical Fund guidelines were gazetted in October 2018 and are now operational.

- In support of affordable housing, the investment guidelines were expanded by bringing on board additional asset classes that allow for schemes to invest in Real Estate Trust Funds (REITs). The Authority also participated in a task-force on the establishment of Kenya Mortgage Refinancing Company (KMRC).

- Finally, the Authority has proposed further review of the investment guidelines to establish an asset class that allows for investment of scheme funds in housing and infrastructure through Private Public Partnerships (PPPs) in Kenya.

It is important to note that the Authority continues to review the legal and regulatory framework to keep pace with emerging developments in the sector. The Retirement Benefits Act was recently amended through the Finance Amendment Act of 2018 to introduce penalties on unremitted contributions by employers. This amendment is aimed at ensuring

Nzomo Mutuku,RBA CEO

members contributions deducted by employers are remitted to schemes for investment in a timely manner.

In addition, the Authority revised its risk based supervision Toolkit in order to further strengthen its supervision of retirement benefits schemes. The Toolkit rates all schemes with a score between one and five with one representing a risk free scheme and five an extremely high risk scheme.

The Authority undertakes intervention measures on all schemes in the upper quartile of high-risk level. These measures range from increased surveillance, inspections, directives, investigations, appointment of interim administrators and, in the most extreme cases, liquidation.

Finally, I wish to assure all our stakeholders that the Authority will continue to partner with you in ensuring growth in the retirement benefits industry as well as maintaining stability and confidence in the sector.

NZOMO MUTUKU, MBS,

Chief Executive Officer, Retirement Benefits Authority, Twitter: @nzmkenya nmutuku@rba.go.ke

Government Warns State Corporations Over Unremitted Pension Deductions

JAMES RATEMO

State corporations that fail to promptly remit pension deductions shall be censured by government, National Treasury Cabinet Secretary, Henry Rotich has warned.

Speaking during the launch of Retirement Benefits Authority's 2019-2024 Strategic Plan in May 2019, Mr. Rotich said affected state corporations shall henceforth be required to give top priority to pension arrears in their budget proposals.

"In the ongoing budget approval process for state corporations, The National Treasury shall require the corporations to give top priority to any pension contribution arrears," Mr. Rotich said.

He said the National Treasury will censure state corporations that fail to remit pension deductions to their pension schemes in a timely manner. This is supported by the Finance Act 2018 which introduced penalties and other sanctions against employers who fail to remit contributions on time.

Contributory Public Sector Superannuation Scheme

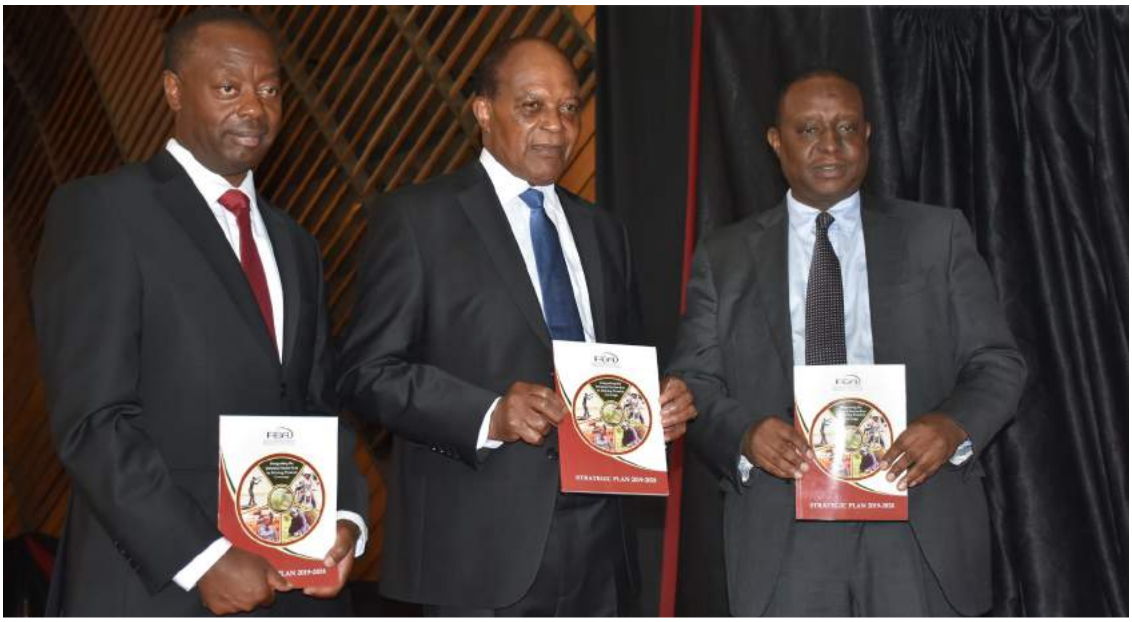
For the civil servants, Mr. Rotich said, the Government is committed to commencing the contributory Public Sector Superannuation Scheme to tame the ballooning pension expenditure.

"This is a critical reform that is the only way to ensure sustainability of pension provision to civil servants in the long run. The on-going payroll cleanup through the Huduma Centres is expected to remove a large number of "ghost pensioners" from payroll," said Mr. Rotich.

Mr. Rotich also revealed that the National Treasury is finalizing the National Retirement Benefits Policy to enable a harmonized framework for pension provision across the public and private sectors.

This will ensure that "Kenya's pension system remains inclusive, adequate, affordable and sustainable."

"I will be forwarding the draft National Retirement Benefits Policy to the Cabinet for consideration in the coming weeks," said Mr. Rotich.



RBA CEO Mr. Nzomo Mutuku, Chairman Board of Directors Mr. Victor Pratt and Treasury Cabinet Secterary Mr. Henry Rotich display copies of the strategic plan during the launch.

Employers be warned: RBA Starts enforcing Penalties on non-remittance of pension dues

The law that followed amendments to the retirement benefits act stipulates that employers face a penalty of five percent of the unremitted contributions or sh20,000, whichever is higher.

BRIAN NGUGI

The Retirement Benefits Authority (RBA) has begun enforcing penalties against laggard employers found culpable of not remitting or delaying remittance of workers' pension deductions.

The stiffer law came into effect from October 2018.

The law that followed amendments to the Retirement Benefits Act stipulates that employers face a penalty of five percent of the unremitted contributions or Sh20,000, whichever is higher.

The chief executives of the pension schemes who delay remitting audited reports to the regulator three months after the close of a fiscal year face a Sh100,000 fine and a further Sh1,000 for each day of delay.

"Employers are therefore advised to ensure timely remittance of contributions and those with outstanding contributions to ensure payment is made promptly," reads a notice by RBA shared through its website and local dailies.

Treasury secretary Henry Rotich, through the Finance Bill 2018, introduced amendments defining the reporting period for the retirement schemes effective October 2018. Previously late submissions attracted a Sh5,000 daily fine for the schemes until the day financials were submitted, with no penalty for the bosses.

The new requirement forcing retirement schemes to publicly publish financial reports and employers to make timely staff contributions is a fresh strategy to enhance transparency and integrity in Kenya's Sh1.2 trillion pension industry. Schemes are seen as largely opaque with many lagging in reporting, leaving pensioners and contributors suffering. Some rogue employers especially counties have also been on the spot for failing to remit statutory contributions of employees.

This article was first published in the Business Daily

Alternative Investment for Pension Funds in Kenya

Alternative investment asset classes present new opportunities for risk diversification for pension scheme members while at the same time promising potentially higher returns as compared to the traditional asset classes.

LEONARD AUDI

The recent past has witnessed a growing urge by institutional investors to spread their investments across a much wider continuum of investments than before. Consequently, the investors are in a continuous search for new sources of return and better diversification of investment risk and pension funds are not an exception in this whole quagmire.

For a long time, investment trend of pension funds in Kenya has favoured the traditional assets classes, that include, government securities and quoted equities.

Data from Kenya's Retirement Benefits Authority (RBA) as at December, 2018 indicate that the current investment by pension funds in government securities stands at 45.4% whereas that in quoted equities stands at 19.9% of total assets under management.

However, market volatilities experienced in recent past arising from among others; the global financial crisis, post-election crisis after every election cycle, Euro crisis of 2009 and the depreciation of the Kenya shilling in 2011 have seen pension funds refocus on alternative investment assets in search for better yield and returns.

Alternative investment asset classes are increasingly becoming popular among pension funds. This is because they present new opportunities for risk diversification for pension scheme members while at the same time promising them potentially higher returns as compared to the traditional asset classes. Even though there does not exist a clear cut definition that comprehensively characterize alternative investment due to its broad nature and diversity, there is a common understanding among financial sector players in Kenya on what can be considered as alternative investment asset classes.

> “Alternative investment asset classes are increasingly becoming popular among pension funds.”

The current alternative investment asset classes for pension funds authorized by the Retirement benefits Authority include Private Equity and Venture Capital (PE & VC), Real Estate Investment Trusts (REITs) and Hedge Funds or Derivatives.

In addition, there are also other alternative investment assets classes that are coming up and are under consideration by the Authority. These include Infrastructure investment through Public-Private partnership projects and Green bonds or Impact funds.

Private Equity and Venture Capital

Private Equity and Venture Capital are some of the alternative investment asset classes that have been made available for pension funds investment by RBA with a combined investment regulatory limit of 10%.

Since the introduction of this asset class, there has been a considerable though not very impressive investment in them by pension funds. The Current figures, as at December, 2018 indicate that investment in PE & VC is about Ksh860 million translating to 0.07% of the total assets. Some of the pension schemes that have invested in this asset class are Nation Media, KTDA, Banki

Kuu among others. The low uptake of this asset class is mainly attributed to limited information about it by the pension sector players. As such, the East African Private Equity and Venture Capital Association (EAVCA), a lobby for the fledgling industry is currently working on a capacity building programme to build the knowledge base of the asset, targeting different stakeholders including trustees, fund managers, and administrators as well as advisors.

Real Estate Investment Trusts (REITs)

This is another alternative investment asset class that is available to pension funds to invest in. Traditionally, there are three types of REITS namely; Equity, Mortgage and Hybrid REITs. Equity REIT is used to purchase, own and manage real estate properties. They may also be used to develop properties. Mortgage REITs investments are investment loans secured by real estate. Finally, Hybrid REIT is used to generate income from rent and capital gains, like equity REIT, as well as interest like a mortgage REIT.

In Kenya, the REITs regulations were gazetted on 18th June 2013 through the legal notice No. 116. Unlike the traditional REITs which invest predominantly in income producing real estates, the Kenya REITs is tailor made to suit the country's development agenda and aspiration of the Kenya Vision 2030.

The Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) regulations, 2013 categorizes REITs into two; D-REIT - designed to target development and construction, mainly housing development. The I-REIT which targets income producing real estate and is based on the traditional REIT structure with flexibility. Currently, there is only only one REIT listed in the stock market. The Fahari REIT issued by Stalib.Although, the regulatory investment limit for REITs is 30%. The investment in the asset class by pension funds stands at about 1.03 billion which represents only 0.1% of the total Assets. The low uptake can be attributed to the appetite by pension funds to undertake direct investment in property.

Derivatives

The third alternative investment class available to pension funds to invest in is derivatives. A derivative is a contract or security that derives its value from that of an underlying asset (as another security), from the value of a rate (as of interest or currency exchange), an index of asset value (as a stock index), or a basket of events (as collateralised debt obligations).

The regulatory investment limit for pension funds in Kenya for derivative is 5%. So far, data available with the Retirement Benefits Authority indicate that no single scheme has invested in this asset class. This can be attributed to limited information available to players in the pension sector on derivatives that may entice them to start investing in this asset class.

Other Emerging Alternative Investment Asset Classes

The other alternative investment asset classes for pension funds in Kenya include Green bonds, Infrastructure investment through Public-Private partnership projects and Social impact funds.

Green Bond

A Green bond is a fixed income instrument, either unlisted or listed on a securities exchange, whose proceeds are used to finance or refinance new or existing projects that generate climate or other environmental benefits that conform to the Green Guidelines and Standards listed on the Exchange and are approved by the Capital Markets Authority. The process of introducing this asset class in Kenyan market has already been finalised. Amendments to Nairobi Securities Exchange (NSE) listing rules to introduce green bonds in the capital market have already been done and Policy guidance notes on green bond were issued by the Capital Markets Authority in January, 2019.

This issuance would present an opportune moment for pension funds to invest in this asset class which is bound to have significant social impact to citizens of Kenya. The Authority in partnership with FSD Africa and NSE have already sensitised schemes on the opportunity to invest in green bonds.

Infrastructure Investment

The other emerging asset class that provides a great investment potential for pension funds investment in Kenya is infrastructure. This is one type of investment has already gained traction and is being frequently discussed, given its potential to match long-term pension assets and provide diversification.

Previously, pension funds exposure to infrastructure has been via listed companies and Infrastructure Bonds issued by the government. However, the idea of investing in infrastructure seems to strike a chord with many pension plan schemes and members. This is because infrastructure feels more —tangible and —real than a lot of other complex products especially where it is difficult to detect the underlying value. Infrastructure investment has been shown to reduce risk associated with fluctuations in business, interest rates and stock markets. It equally enhances returns, acts as a hedge for inflation and deliver strong cash flows to investors.

The one reason that pension funds need to invest in infrastructure is because it is made for the long term which gives it a natural fit with the long-term liabilities of many pension plans. For some people there is also a connotation to sustainable or socially responsible investment, which is an increasingly popular route chosen in particular by public and industry wide pension plans.

Some of the mega infrastructure projects to be implemented in Kenya which pension funds are positioning themselves to invest in include the Nairobi-Nakuru-Mau summit highway which is meant to be an over 200km toll road.

The other example is the second Nyali Bridge which is a new 600m Bridge across Tudor Creek, Mombasa together with 1.7km new roads and expansion of 5km of existing roads. This is a 30 year contract with an availability based payment mechanism and an estimated capital cost of USD 200million.

These infrastructure projects are to be implemented through Public-Private Partnership (PPP) arrangements and the procurement processes are ongoing.

In order to invest in infrastructure funds, pension funds are positioning themselves to participate through a debt fund or other vehicle. Given the fact that investment in these projects would definitely require huge capital outlay which a single pension scheme may not be able to invest in alone, pension schemes have come together under an umbrella body, the Kenya Pension Fund Investment Consortium.

This will afford them an opportunity to participate in large scale investments through pooling of resources to achieve economies of scale by lowering costs, exposures and risks, andmost importantly benefit from having a higher bargaining power.

Finally, there are also other existing alternative investment opportunities for pension schemes through Affordable Housing under "Big4 Agenda" - the national development blue print for next five years. Pension funds have an option to invest either as developers, lenders or through demand side by supporting members to purchase housing units.

The other alternative investment opportunities exist in the newly created Kenya Mortgage Refinance Company which is set to issue debt instruments which pension funds can invest in. Soon to follow would be exploring ways through which pension funds may invest in the newly discovered oil & gas infrastructure across the East African region.

However, despite the well known high returns in the alternative investment asset class, it has taken some time for these asset classes to take root in the pension industry. This is majorly due to its complexity, difficulty in valuation, and the illiquid nature coupled with low capacity of trustees to make investment decisions.

The Retirement Benefits Authority in partnership with other stakeholders in the industry is making concerted efforts to surmount some of these challenges through continuous capacity building and improvement in the legal and regulatory framework.

Mr. Audi is a senior Economist, Research & Strategy Department at RBA

Why High Court Threw Out Law on Interest Rates Law

The judges took issue with parliament's failure to define the terms 'credit facility' and the Central Bank Bate (CBR), leaving them open to misinterpretations.

Parliament's failure to define key technical words used in the interest rates control law made the legislation ambiguous and hence unconstitutional, the High Court has held in a detailed ruling released Monday.

Justices Francis Tuiyot, Jacqueline Kamau and Rachel Ngetich last week declared Section 33 (B) (1) and (2) of the Banking Act unconstitutional, but gave the National Assembly one year to amend the anomalies.

The judges took issue with Parliament's failure to define the terms 'credit facility' and the 'Central Bank Rate' (CBR), leaving them open to misinterpretations.

"Any words that have the potential of causing confusion must be clearly defined. The Legislature should not assume that the meaning of material words can be inferred. It must make it easy for everyone, including a lay person, to understand the meaning of a provision. In our view, Section 33B lacks the minimum degree of certainty that is required of legislation that creates criminal offences," the judges stated.

> "A bank or a financial institution shall set the maximum interest rate chargeable for a credit facility at no more than four percent, the rate set and published by the Central Bank of Kenya.
>
> CBR.Section 33 B(1) of the Banking Act"

Failure to amend the ambiguous section of the Act will mean a reversion to free-floating interest rates regime, where commercial banks set the cost of loans without reference to any law.

The interest rates cap restricted banks to charging customers a maximum of four percentage points above the CBR. Section 33 B(1) of the Banking Act states that "a bank or a financial institution shall set the maximum interest rate chargeable for a credit facility in Kenya at no more than four percent, the Central Bank Rate set and published by the Central Bank of Kenya".

The judges noted that the words "at no more than four percent, the Central Bank Rate" is vague since it is not clear if it is above or below CBR.

The judges further said that CBR has neither been defined nor clarified in the Banking Act and yet the clause failed to refer to the section of the Central Bank of Kenya (CBK) Act that clearly defines CBR, therefore making it open to multiple interpretations.

The judges held that the lack of definition on the meaning of 'credit facility', left it open to various interpretations.

They noted that while credit facility appears in various sections of the Banking Act, it has not been defined in the interpretation provisions of Section 2 of the Banking Act or in the Interpretation and General Provisions Act.

They stated that various conflicting meanings of the word are available in dictionaries and other materials, making it ripe for misinterpretation.

They also observed that Section 33B(3) only prescribes punishment for banks and their CEOs and not customers and other persons who contravene the provision.

The judges observed the ambiguities of the law made it so uncertain that the Central Bank was at one time forced to release a circular to clarify it

CBK's role

They noted that for the law to be obeyed it must be clear.

The court, however, declined the argument advanced by the petitioner, CBK and KBA, which wanted the judges to find that the National Assembly had interfered with CBK's role of formulation of monetary policy.

The judges noted that it was not apparent whether the legal framework that regulates the manner in which banks or financial institutions charge interest for facilities granted to their customers is a function of monetary policy.

Petitioner Boniface Oduor filed the case seeking to end interest rates control.

> "MPs have in the meantime continually rejected proposals by Treasury Secretary Henry Rotich to repeal the rate cap law."

The Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA) supported Mr Oduor's petition, while the Consumer Federation of Kenya (Cofek), National Assembly and the Attorney-General opposed it.

Cofek filed a notice of appeal against the ruling.

The amendments to the Banking Act were introduced by Kiambu Central MP Jude Njomo through a Private Member's Bill that was signed into law in August 2016, sparking a long fightback from banks which argued they were unable to price in risk in their costing of customers' loans.

The amendment capped the maximum loan rate at four percentage points above the prevailing CBR (currently at nine percent) and the minimum deposit rate at 70 percent of CBR, though the latter provision was removed last year.

MPs have in the meantime continually rejected proposals by Treasury Secretary Henry Rotich to repeal the rate cap law.

CBK strongly supported the petition by Mr Owuor, in an indication that it presented an opportunity to get a window of repealing the law.

The High Court decision is, however, only a half win for CBK and KBA since Parliament can amend the law to address the ambiguity during the one-year grace period.

While suspending the effective date of the judgment, the judges noted that it would have huge ramifications on existing contracts between banks and borrowers.

This article was first published in the Business Daily

"A bank or a financial institution shall set the maximum interest rate chargeable for a credit facility at no more than four percent, the rate set and published by the Central Bank of Kenya".

CBR.Section 33 B(1) of the Banking Act

It's Time for the Pensions Industry To Go Digital

" Digital transformation is not a waste of money; it is the necessary cost of change." this is according to edward humphrey, a tech guru and a digital strategy director at the british film institute.

NZOMO MUTUKU

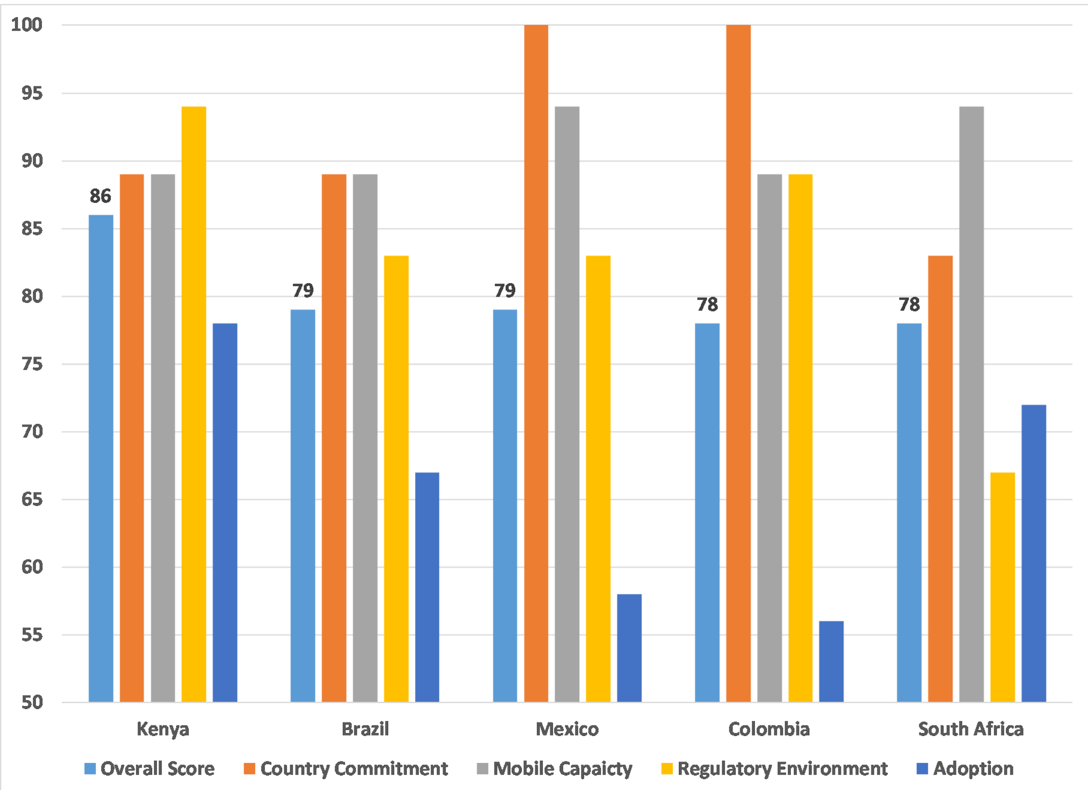
"Digital transformation is not a waste of money; it is the necessary cost of change." This is according to Edward Humphrey, a tech guru and a digital strategy director at the British Film Institute.

It is true that digital technology is now a necessity for business growth in almost all institutions; more and more organizations are riding on it to improve processes and drive profitable business models.

Kenya has for many years been the world leader in leveraging technology to drive financial inclusion.

The 2017 Brookings Financial and Digital Inclusion Project undertaken by the Centre for Technology Innovation at the Brookings Institute ranked Kenya number one in the world, for the third year in a row, for commitment and progress towards financial inclusion.

As shown in the chart below, Kenya is seven percentage points above the next ranked country and scores highly in all the indicators, namely: County Commitment, Mobile Capacity, Regulatory Environment and Adoption.



Brookings financial and digital inclusion project top five countries, %

Brookings financial and digital inclusion project top five countries, %

This high ranking stems from the various innovative use cases that Kenya's financial industry has adopted to apply digital technology to various services. As indicated in the chart below, Kenya has used digital technology to launch financial service products in different sectors and many of these products were world firsts.

Digital financial products in Kenya

Money Transfer	M-PESA	airtel money	PesaLink
Retail Payments	LIPA NA M-PESA	M-PESA Paybill service	
Credit	M-Shwa	KCB M-PESA ACCOUNT	
Services	M-KOPA	m-tiba	
Government		M-AKIBA Money, Make Money, Build Kenya	
Pensions		Mbao Pension Plan	

Digital technology in the pensions industry

Kenya's pension industry has also embraced digital technology in service delivery. The Mbao SME Individual Retirement Benefits Scheme was the first pension scheme in the world that was wholly mobile phone based. Currently, at least two new mobile phone based schemes are at advanced stages of development and should be launched soon with a view to further extending coverage in the informal sector.

Pension scheme administrators have also embraced technology through for example, availing member statements online or by phone and allowing members to vote during scheme Annual General Meetings through their phones without having to be physically present.

There, however, remains huge untapped potential for use of digital technology in the pension industry and the industry is often seen as lagging behind the rest of the financial sector in terms of innovation and adoption.

Opportunities for adoption of digital technology in pensions

Block chain technology or distributed ledger technology makes it possible to connect multiple parties to each other without passing through intermediaries. These multiple parties all have access to identical copies of a digital record (for example, a contract or transaction data), they can update these records to register a transaction that has taken place and have their amendments validated by the other parties in close to real time. Pension schemes can utilize block chain to create trusted networks with government identification databases, sponsors, regulators and investment vehicles thus eliminating a number of intermediaries. Anti-Money Laundering (AML) and Know Your Customer (KYC) requirements may be simplified using block chain.

Cloud computing can remove need for pension schemes and administrators to own and maintain large servers to preserve member records and other scheme data while reducing costs, improving cost predictability, increasing security and facilitating access to enhanced capabilities.

Digital pension platforms and dashboards can allow individuals to manage all their retirement finances from a single platform. Many members in Kenya belong to more than one pension scheme. For example a worker maybe in the National Social Security Scheme (NSSF), one or more Occupational Retirement Benefits Schemes (especially if he has changed jobs and deferred part of the benefits) as well as an Individual Retirement Scheme.

A digital dashboard can allow consolidation of the information from these different schemes to give the member a picture of his overall retirement financial health.

Digital auto –enrolment has been adopted in a number of jurisdiction including the United Kingdom as a way of increasing coverage particularly in the SME sector. Smaller plan sponsors who may have fewer resources could benefit the most from lower costs and improved efficiency of their workers being auto enrolled digitally into a pension scheme. The employers would then have an option of opting-out into alternative occupational and individual schemes if so desired. Indeed, digital auto-enrollment could be used to register every Kenyan with a mobile phone number into a pension scheme.

Internet of Things (IoT) has resulted in a flood of information about consumers being made available through internet enabled devices. This can, subject to ensuring privacy is addressed, provide pension providers with critical information to enable them tailor their products to the exact needs of the consumer.

Investment processes for pension schemes can be improved through digital technologies in research, analysis, portfolio construction, trading, risk monitoring and settlement. Block chain and Artificial Intelligence (AI) can all strengthen the investment processes to deliver higher returns to members.

Investment via robo-adviser is emerging in a number of jurisdictions as an investment tool to provide financial advice and management of customer's investment portfolios. Robo-advisers are software programs that use algorithms and big data to provide advice based on the characteristics and data provided by the member. Being purely online, they are low cost and widely accessible.

Reg-tech companies assist regulated entities to ensure compliance with regulatory requirements. For example, reg-tech can monitor scheme investments on real time basis to ensure that the RBA investment guidelines are never breached. Using cloud computing and big data, reg-tech can predict likely breaches of the guidelines in advance and ensure corrective actions are taken proactively other than reactively as is currently often the case.

Sup-tech refers to the adoption of technology by the regulator to firstly better execute its mandate and secondly facilitate the industry to innovate. RBA has adopted sup-tech through various initiatives including a facilitative regulatory framework for innovation, allowing online submission of returns by schemes and service providers (administrators, managers and recently custodians) and provision of an online whistle-blowing portal.

RBA also provides a myriad of digital communication channels for customers including a toll free number (0800-720300), free USSD portal (*870#), website (www.rba.go.ke) and comprehensive social media presence (twitter, Instagram, Facebook, linkedin, google+ and YouTube).

What next?

The digital space is a fast evolving one. New technologies continue to emerge almost every day. The above are only a few examples of areas where the pensions industry can leverage technology to grow and provide better services to members. It is true that technology comes with risks such as cyber threats, privacy concerns, regulatory lag and others.

These risks can all be mitigated and properly managed by putting in place the correct frameworks. The pension industry cannot afford to be left behind as the financial sector embraces Fin-Tech. The Authority stands ready to facilitate the industry to take its rightful place in the digital era.

Nzomo Mutuku, *MBS, is the Chief Executive Officer, RBA*

Retirement Benefits Industry Report

RESEARCH DEPARTMENT, RBA

December 2018

1.0 Overall Assets Under Management

On overall, the retirement benefits assets under management decreased by 0.02 percent from Kshs. 1,166.70 billion in June 2018 to Kshs. 1,166.49 billion in December 2018. However, compared to the same period last year (December 2017) the assets grew by 8 percent, up from Kshs. 1,080.1 billion. The decrease in the assets during the half year can be attributed to the volatility in the stock market of which investment in quoted equities decreased by 19.83 percent.

The fund managers and approved issuers held majority of the assets amounting to Kshs. 980.06 billion. A total of Kshs. 83.98 billion of investments was internally administered by the National Social Security Fund (NSSF)[1], while Kshs. 102.4 billion of property investments was directly managed by the trustees of the various schemes[2]. The assets under fund management include Kshs. 125.91 billion of NSSF funds, which are managed by four (4) external managers. Assets managed internally by NSSF[3] are majorly in immovable property, quoted equities, cash and demand deposits, fixed deposits, as well as unquoted securities. The schemes continued to invest heavily in government securities with the asset class recording 39.41 percent of the total assets under management.

Majority of the investments in the various asset categories decreased during the half-year period. Commercial Paper non-listed bonds decreased by 297.4 percent, REITs by 42.76, quoted equities decreased by 19.83 percent, and offshore investments decreased by 14.47 percent. Government securities still accounted for the biggest share of the total assets at 39.41 percent, followed by immovable property, which accounted for 19.71 percent, investments in quoted equities accounted for 17.27 percent, investments in guaranteed funds accounted for 14.36 percent. Investment in alternative assets by schemes has gained traction with an inclusion of Private Equity & Venture Capital as an asset class. Investment in private equity and venture capital increased by 51.04 percent from 422.99 million in June 2018 to 863.94 million in December 2018 to account for 0.07 percent of the total assets. The table below provides detailed aggregate investments by schemes by the various asset classes.

1 The amount is the difference of the funds accounted for by the Fund Managers and the total assets under management reported by NSSF.
2 Internally managed property is investments in Property not reported by Fund Managers but are in the Schemes Financial Accounts for 2017.
3 This includes property amounting to Kshs. 37.6 billion, Government securities Kshs. 18.73 billion, quoted equities Kshs. 18.53 billion; fixed deposits, Kshs. 1.98 million, Cash and demand deposits, Kshs. 2.92 billion, corporate bonds Kshs. 2.51 and unlisted shares amounting to Kshs. 1.68 billion.

OVERALL INDUSTRY INVESTMENT PORTFOLIO (KSHS. BILLION)

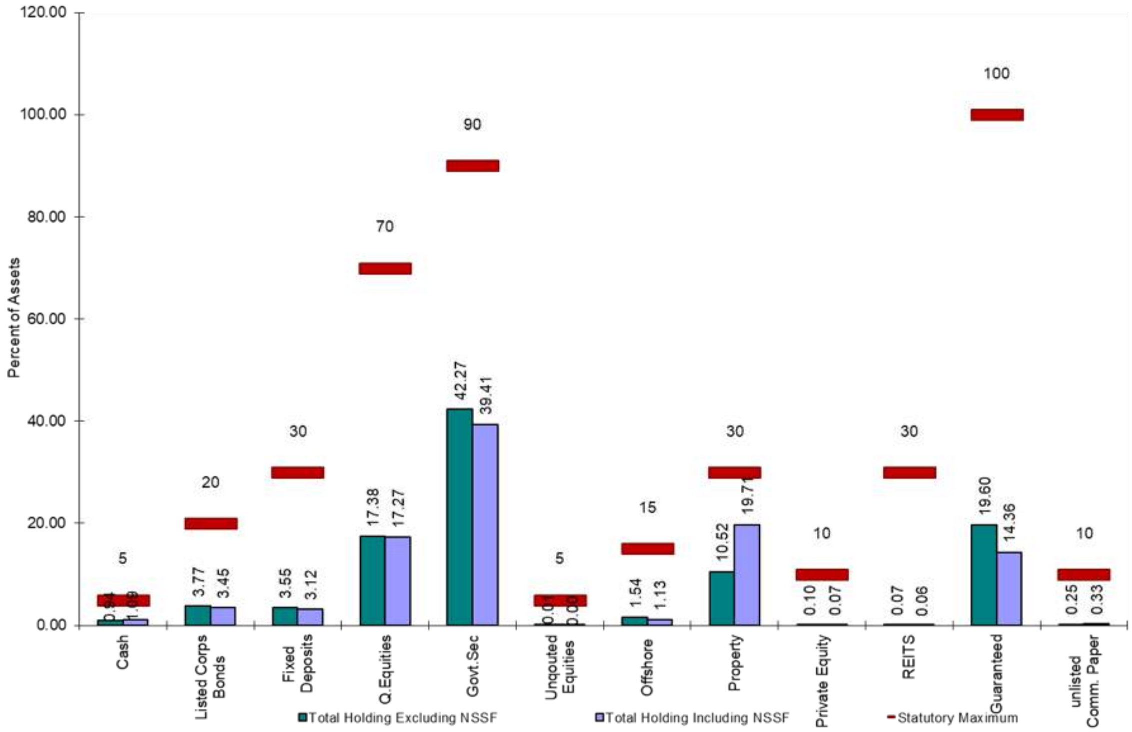
	Assets Category	Dec 16		June 17		Dec 17		Jun 17		Dec 18	
		Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
1	Government Securities	349.15	38.26	353.47	36.7	394.19	36.49	423.7	36.32	459.68	39.41
2	Quoted Equities	159.07	17.43	180.35	18.73	210.17	19.46	241.46	20.7	201.51	17.27
3	Immovable Property	178.42	19.55	204.6	21.25	226.72	20.99	229.32	19.66	229.91	19.71
4	Guaranteed Funds	129.58	14.2	103.67	10.76	142.97	13.24	159.63	13.68	167.45	14.36
5	Listed Corporate Bonds[1]	46.95	5.14	46.83	4.86	41.99	3.89	41.51	3.56	40.28	3.45

1 Commercial paper, non-listed bonds and other debt instruments issued by private companies was introduced as a new separate asset class category in 2016 through the legal notice No. 107.

	Assets Category	Dec 16		June 17		Dec 17		Jun 17		Dec 18	
		Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
6	Fixed Deposits	24.57	2.69	45.49	4.72	32.88	3.04	31.62	2.71	36.39	3.12
7	Offshore	6.96	0.76	9.68	1	12.77	1.18	15.03	1.29	13.13	1.13
8	Cash	12.93	1.42	13.91	1.44	12.95	1.2	18.99	1.63	12.72	1.09
9	Unquoted Equities	3.95	0.43	3.91	0.41	4.06	0.37	3.78	0.32	3.79	0.33
10	Private Equity	0.22	0.02	0.25	0.03	0.322	0.03	0.42	0.04	0.86	0.07
11	REITS	0.84	0.09	0.888	0.09	1.03	0.1	1.01	0.09	0.71	0.84
12	Commercial paper, non-listed bonds by private companies			0.002	0	0.062	0.01	0.22	0.02	0.06	0.00
	TOTAL	912.66	100	963.05	100	1,080.11	100	1,166.70	100	1,166.49	100

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

OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM

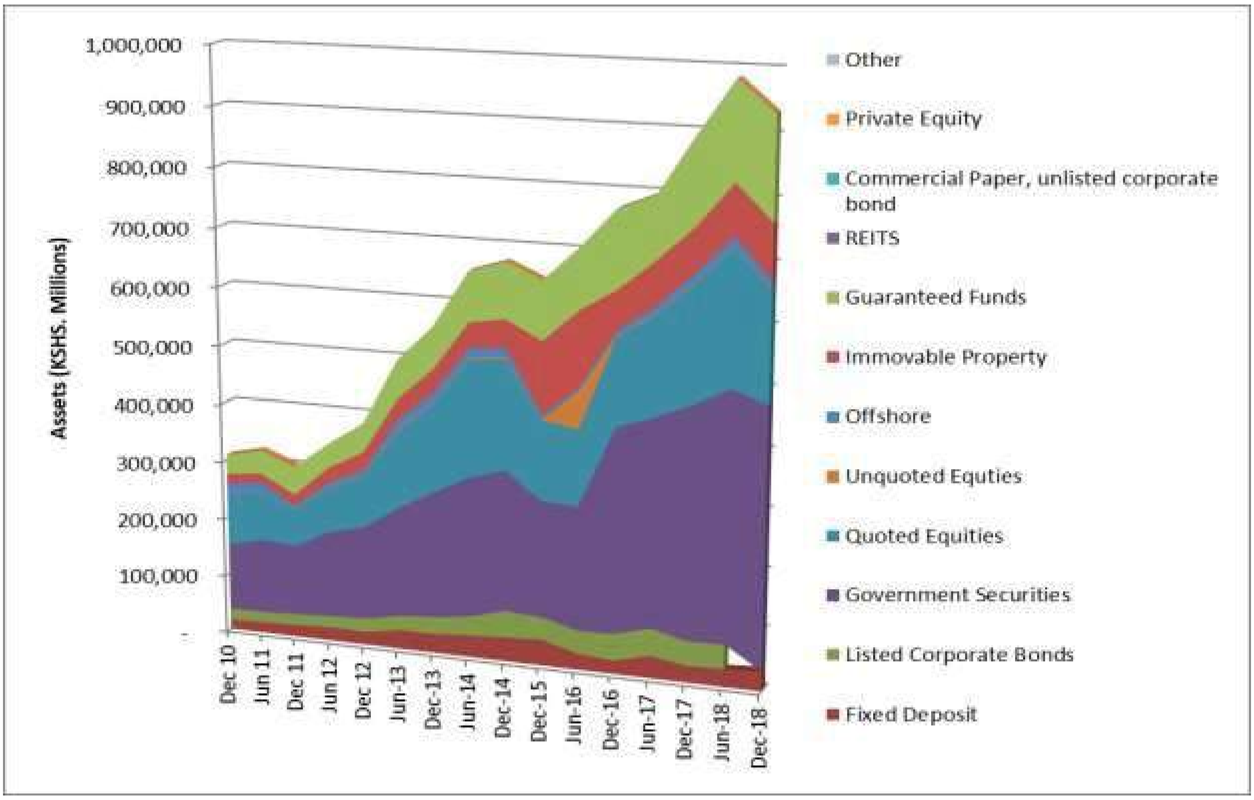


2.0 Assets Held By Fund Managers And Approved Issuers

For the period ending December 2018, 16 fund managers and 15 approved issuers, submitted 1,236 scheme reports with a total fund value of Kshs. 980.06 billion representing 1.81 percent decrease in the total assets under fund management from Kshs. 998.17 in June 2018. However, this was an 8 percent increase compared to the December 2017, which the total assets under fund management was Kshs. 904.91 billion. The total assets managed by fund managers amounted to Kshs. 812.61 billion while the approved issuers managed only Kshs. 167.45 billion.

The asset diversification remained similar to the previous periods with most of the asset classes recording minimal decreases/increases. 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 classes[1].

ASSETS UNDER FUND MANAGEMENT (DEC. 2010- DEC. 2018)[2]



In terms of investments by specific fund managers and approved issuers, Sanlam Investments East Africa Company limited remained the fund manager with the largest assets under management with total assets under management at Kshs. 201.93 billion which constitute 20.60 percent of the total assets under fund management.

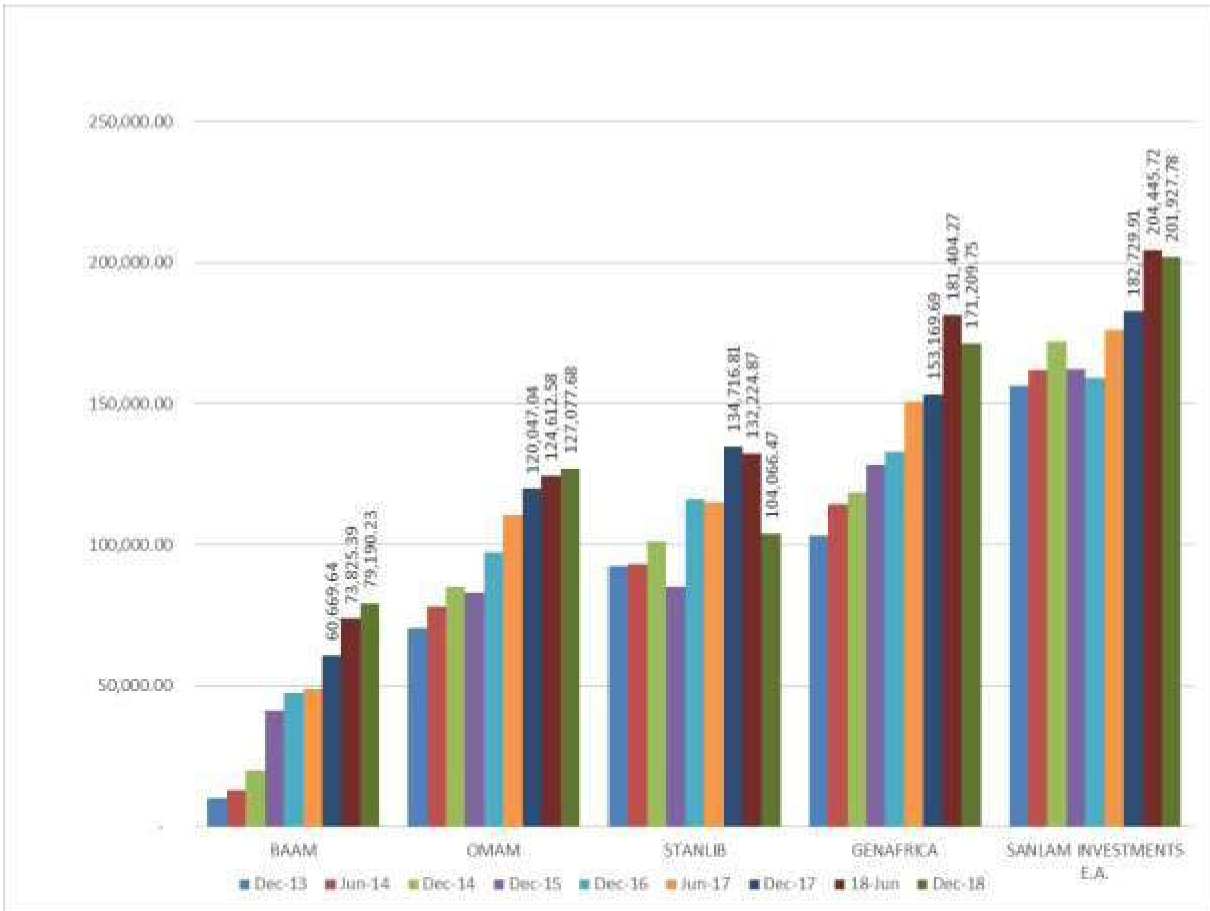
The top five fund managers during the period were (Sanlam Investments East Africa, GENAFRICA

Asset Managers, Old Mutual Investment Group Limited, Stanlib Kenya, and British –American Asset Managers Ltd) manages the bulk of the investments with the total assets under management amounting to Kshs. 683.47 billion constituting 69.74 percent of the entire assets under fund management. The analysis considered each entity according to its registration hence, where a parent company has both an approved issuer and fund manager the two were considered as distinct entities.

1 For more details, see legal notice No. 107 on the Retirement Benefits (Forms and Fees) Amendment Regulations, 2016. Table G was amended to incorporate new assets classes.

2 During the period June 2016, a total of Kshs. 117.55 billion of investments was reported unclassified. However, during the subsequent periods, December 2016 and June 2017 all the investments were classified. Similarly, new asset classes (Private Equity, REITs and Derivatives) were introduced around this period.

ASSETS UNDER MANAGEMENT BY TOP FIVE MANAGERS (DEC. 2013 – DEC. 2018)



3.0 Assets held by National Social Security Fund (NSSF)

The total assets held by NSSF decreased by Kshs. 11.47 billion in December 2018 to stand at Kshs. 209.89 billion from Kshs. 221.36 billion in June 2018 representing a 5.18 percent decline. However, compared to December 2017, the fund registered a marginal increase of 630 million in the assets from Kshs. 209.26 billion in December 2017. Out of the total amount of Kshs.209.89 billion, Kshs. 83.89 billion[1] was internally managed by NSSF. The externally managed funds decreased over the period from Kshs.155.26 billion in June 2018 to Kshs. 125.91 billion in December 2018. The table below shows the distribution of the funds to the various fund managers.

NSSF PORTFOLIO OF THE EXTERNAL MANAGERS (Dec. 2014 –Dec. 2018)

	Assets in Millions						
Fund Manager	**Dec. 14**	**Dec. 15**	**Dec. 16**	**Jun. 17**	**Dec. 17**	**Jun. 18**	**Dec. 18**
British-American Asset Managers Limited	-	17,860	22,033	24,289	27,260	30,402.30	31,099.44
Gen Africa Asset Managers	13,125	30,096	31,667	36,009	35,635	38,038.24	37,413.03
ICEA Lion Asset Management Limited	13,269	18,058	20,534	23,826	25,953	-	-

1 These represent investments in immovable property (Kshs. 43.5 billion), unquoted securities (1.49 billion), fixed deposit (750m), Kshs. 15.5 billion in quoted equities and 4.7 billion in cash.

Assets in Millions							
Fund Manager	**Dec. 14**	**Dec. 15**	**Dec. 16**	**Jun. 17**	**Dec. 17**	**Jun. 18**	**Dec. 18**
Old Mutual Asset Managers (Kenya) Limited	13,352	17,945	20,620	24,190	26,718	29,636.23	30,395.65
Stanlib Investments Kenya Limited	12,246	18,494	21,639	25,316	27,738	30,462.79	-
African Alliance Kenya Investment Bank Limited						26,735.70	27,005.72
Pinebridge Asset Managers	14,962	-	-	-	-	-	-
Co-op Trust	12,652	-	-	-	-	-	-
Total	79,606	102,453	116,493	133,630	143,303	155,275.26	125,913.84

The overall NSSF portfolio is heavily invested in government securities, quoted securities and immovable property at 46.98 percent, 25.28 percent and 17.92 percent respectively. The portfolio allocation complies with the investment guidelines.

4.0 Future Outlook

The retirement benefits sector is expected to grow in the 2019 given the relatively stable political environment and the gradual comeback of the stock market.

The schemes are also expected to venture into alternative assets given the broadening of the allowable investment categories and take advantage of the public infrastructural projects and more so under the big four agenda.

However, the scheme investments may be affected by the prolonged drought due to delayed long rains and volatility in global markets due to uncertainties with Brexit and trade tensions between China and USA, which may adversely affect offshore investments.

Source: Research & Strategy Department, RBA

RBA CEO to Employers: Pension Schemes can Attract, Retain Talent

JANE ONYANGO

Employers without pension schemes risk missing out on the best talent in the labour market.

The Chief Executive Officer of the Retirement Benefits Authority (RBA), Mr. Nzomo Mutuku, warns that organisations without pension plans are both likely to lose their best employees and remain unattractive.

A pension plan in a job offer, he points out, is an added incentive besides the monthly remuneration.

Prospective employees, the RBA boss says, prefer organisations which guarantee life after retirement. He observes that institutions which offer the best health and retirement packages tend to land the best talent from the pool.

"A potential employee will pick an employer with a good health cover, a good working environment and great retirement benefits…a good retirement package gives potential employees confidence in a particular employer," Mutuku says.

He was speaking at a recent employer sensitisation seminar in Nairobi.

Pension motivates employees

Urging employers to facilitate their employees to save for retirement, Mutuku reiterated that having a pension scheme motivated employees to work harder in anticipation of a retirement package that will guarantee them a good future after employment.

> "Having a pension scheme motivates employees to work harder in anticipation of a retirement package that will guarantee them a good future after employment."

"A pension plan is a demonstration of the value an organisation places on the service it receives from its employees and a willingness to guarantee them adequate retirement income in their sunset years," Mutuku argued.

He assured employers the Authority will support and guide them in choosing the best retirement options in the market.

The state pension plan, the National Social Security Fund (NSSF), alone is not enough, Mutuku said, adding: "NSSF contribution by itself cannot sustain retirement. You need more savings to maintain your current standard of living in retirement."

The RBA boss backs the enrolment of contractual employees in pension schemes just like their permanent and pensionable counterparts.

He noted: "Employees on contract need not be locked out of the retirement plan as they also need to secure life after employment."

Among options employers can use to enrol employees, include; Occupational schemes, Umbrella schemes, and Individual Pe nsion Plans.RBA plays a critical role in monitoring and ensuring compliance by the retirement benefit schemes to the sector's laws and regulatory frameworks. More importantly, it secures and protects the interests of individual pensioners.

Currently, there are 1,250 occupational and 35 individual pension schemes in the country. The Authority has adopted a risk supervision approach to regulation of schemes, which uses factors such as compliance, investment returns, low operating costs, and good governance.

The Authority intervenes and helps resolve conflicts that arise between employers and various schemes.

RBA is the regulatory and supervisory institution mandated to regulate and supervise the establishment and management of retirement benefits schemes, protect the interest of members and sponsors and promote the development of the retirement benefits sector.

Jane Onyango, works at the RBA's Corporate Communications Department.

Time for Pension Funds To Go Green on Projects

While returns and growth of our pension funds are important, that growth shouldn't come at the cost to the environment.

NZOMO MUTUKU

While most of us understand the importance of saving for retirement, few understand how retirement money is invested.

Traditionally, pension funds are invested in a limited range of assets — mostly government and infrastructure bonds, equities, cash and real-estate. These investments make sense; they provide good returns with minimal risk.

However, while returns and growth of our pension funds are important, that growth shouldn't come at the cost to the environment. With 70 per cent of jobs in Kenya related to our natural environment, climate change will touch everyone from farmers and fishermen to tourism operators and teachers.

Greater awareness for the need to shift to environmentally sound economic activity has resulted in more demand for opportunities to invest in green projects, which provide financial returns and build a sustainable society.

Consider the growth in green bonds. In 2017, there was about $156 billion (Sh16 trillion) of green bonds in the market. This year, the market is expected to grow to between $250 and $300 billion. In Africa, a $500 million bond, issued by the African Development Bank in 2013, funded green projects including renewable energy, sustainable urban development including better public transport and waste management. Global pension funds and investment banks are among the major investors in the bond.

> "Green bonds will be an important resource for funding the Government's Vision 2030 and a transition to a green economy."

In South Africa, a $80 million bond to fund water utilities and low-emission public transport in Cape Town was four times oversubscribed.

In 2018, the National Treasury announced Kenya was planning to issue a green bond. Once launched, Kenya will become the third African country and the first in East Africa to issue a green bond, reinforcing our leadership in financial innovation in the region.

Transition to a green economy

Green bonds will be an important resource for funding the Government's Vision 2030 and a transition to a green economy. This is an ambitious goal, which will require significant investments.

The Kenya Green Economy Strategy and Implementation Plan (GESIP) estimates that it will cost Sh2.4 trillion to transition to a green economy. Raising this capital will be one of the biggest challenges to delivering the plan. However, with the right systems and structures in place, there is opportunity to become active investors in greening our economy.

There is about Sh1.2 trillion invested in our pension sector. The money is invested across 14 different types of assets, with most invested in government securities, quoted equities and direct property investments.

One of the biggest emerging concerns for the pension sector will be the impact investments will have on climate change and vice versa. Globally, by the end of the century, climate change is predicted to remove $ 2.4 trillion in value from pension funds; Green means mitigating environmental, social and associated financial risks.But before pension fund trustees have the courage to invest in green bonds there are several gaps which need to be addressed.

One is ensuring that investors have better access to data on environmental and financial risks and returns to help inform decision making across all investment options.

Robust reporting on behalf of the issuer is also needed to prove the money was being invested correctly. There is also need for independent verification of green compliance status of the bond.

Opportunity for pension funds

Pension funds need to change as well. By their nature, green projects and green bonds tend to be long-term investments. Just as a pension fund contribution is a 30-40-year investment for members, trustees and fund managers as custodians of those funds need to have a long-term horizon when making decisions.

Since 2017, several organisations have been working together under the Kenya Green Bonds Programme, to lay the foundations needed to develop Kenya's green bond market.

The programme, endorsed by the Central Bank, the Capital Markets Authority and the National Treasury, has seen the Kenya Bankers Association, Nairobi Securities Exchange, Climate Bond Initiative, FSD Africa and the Dutch Development Bank FMO collaborating to build strong foundations for Kenya's green bond market.The programme has focused its attention around several key areas. From providing training to the entities who will issue, invest and verify the bonds, to ensuring the policy and regulatory structures are in place. And conducting research on the demand and priority areas for local green bonds.

As the Retirement Benefits Authority, our role with the programme has been to make sure when the first bond is issued in Kenya, trustees and fund managers have the knowledge to make informed investment decisions.

Such investments must kill two birds with one stone: achieving desirable returns and yielding environmental and social dividends not only for future generations but also the retirees themselves.

Very few of us stop to consider how our pension funds are investing our money. And while returns are critical, there is an increased need for us to think about how these investments are improving or degrading the environment. After all, what is the value of a pension, if the environment and society that will retire to has been destroyed?

NZOMO MUTUKU, MBS, is the *Chief Executive Officer, Retirement Benefits Authority.*

This article was first published in the Business Daily

The environment and the economy
are really both two sides of a coin.
If we cannot sustain the environment
we can not sustain the economy
Wangari Mathai

RBA hold talks over planned liquidation of Sh1.4bn pyrethrum pension scheme

KENNEDY GACHUHI

The Retirement Benefits Authority has kicked off dialogue on the liquidation and payment process for pensioners under the Pyrethrum Board of Kenya Staff Superannuation Scheme.

This follows a court ruling in December 2016 that ordered liquidation of 700 member pension scheme which the court found to be unable to pay its debts amounting to Sh1.4 Billion.

Hundreds of pensioners on January 24, 2019 attended a meeting with various parties inclusive of representatives from the office of the Attorney General (AG) who is the liquidator, Retirement Benefits Authority (RBA) and the Agriculture and Food Authority (AFA).

Speaking to the press after the meeting, the pensioners' secretary Harun Tinga said that the meeting entailed discussions on the manner in which the money owed to the pensioners will be paid.

"We are glad that this first meeting has materialised. Today we dwelt on how the pensioners want the money disbursed to them even as we wait for the government to release it," said Tinga.

> "The pensioners called on RBA to ensure that they get their dues in a one payoff manner to ensure they do something tangible with their lifetime savings."

He added that the officials who didn't speak to the press revealed to them that negotiations between various government organs have also kicked off on the source of money which the government will use in the payoff.

"It will be unfair if the pensioners are paid in bits what they saved when they were young. We are urging the RBA to ensure we all get the money once and allow the pensioners live a more decent life they planned for," said Tinga.

He pointed out that monthly payments will deny the pensioners the real value of their savings citing that majority of them are living in abject poverty.

"We have widows and widowers who are very old and this is money they saved at their tender age. Some have gotten into heavy debts hoping to settle them with these funds. Monthly payments will do very little to transform their lives," he said.

The members called on the government to ensure the payment is done in the shortest time possible citing that a number of them have died while waiting for their dues.

Only 170 members of the scheme are still in active employment and have expressed their support of the court ruling with a plan to join other pension schemes of their choice.

This article was first published by the Standard Newspaper.

Six Ways To Ruin Your Retirement

SUSAN KETER

Retirement is ideally the time when you get to take it easy after decades of labouring to make a living. It should be a time of peace and tranquillity.

However, this only happens with deliberate effort and planning from as early as possible. Here are six attitudes to drop if you want to secure your retirement.

1. Waiting too long to take charge of your finances

The key to effective management of resources is sound financial management from as early on as possible. Live within your means, operate on a budget, save and invest. It doesn't matter how much money passes through your hands, you still need to manage it.

Invest in financial literacy as early as possible. Learn how to come up with clear goals on where you want to be 10, 20 years down the road.

Do you want to own a house in the city or your rural home? How will you work towards that? How much will it cost to make that dream a reality? How will you finance it?

A financial literacy programme will help you avoid money mistakes that will deny you financial stability in retirement.

2. Failing to plan

Planning for retirement is about more than just finances. Realising a few years to retirement that you don't have a retirement home or that the home you have is inappropriate for retirement can be disastrous.

Failing to plan for your future early could see you invest in a home that won't serve you in retirement.

Where would you like to spend most of your time after retirement? Weigh factors such as the activities you anticipate, your networks and conveniences you need. It's possible to live another 30 or 40 years after retirement, which is a long time to live somewhere you're not comfortable.

Think about your support group, access to health centres, the amenities that matter and closeness to family and friends so that you're not too isolated.

3. Assuming you'll never stop working

When you're young, you have the energy to try out different things. If you try something out and it fails, you can still reinvent yourself and try something else.

However, adapting to new technologies could be difficult as you grow older. Medical conditions are also common in old age and can make working difficult.

So even though you're very good at what you do, you'll discover that many people prefer to work with someone younger and more tech savvy.

Don't plan for a retirement that involves work, because all sorts of things could happen that make this impossible.

4. Living an unhealthy lifestyle

The way you live when you're young impacts how you age. Take care of your health to avoid being taken out of commission prematurely by lifestyle diseases.

Quit smoking, drink in moderation, if at all, reduce the amount of junk food you eat, incorporate an exercise regime into your lifestyle, and handle stress correctly.

Chronic stress is a major cause of life-threatening diseases, such as high blood pressure, heart disease and stroke, so learn how to step away from toxic situations and create a support system.

5. Assuming you can live on a pension

Your pension is a small percentage of your salary. Don't imagine that once you retire you'll spend less and the pension will cover your needs.

You'll still have a life, want to travel to places, attend events, such as weddings or graduations.

Your house and car will still need maintenance, you'll still need to replace stuff in the house and in your wardrobe. Anticipate the effects of inflation and keep in mind that things will be more expensive in the future.

6. Failing to secure your relationships

Leaving unresolved issues in the family to fester until retirement can cost you dearly. It's easy to find yourself abandoned and neglected by family members in the years when you most need their support.

Family members who tolerated you while you were working and productive might lose patience with you after you retire. Further, loneliness can cut years from your lifespan.

Don't put off reconciliation until it's too late. You'll need to rely on more than just yourself.

This article was first published in the Standard Newspaper.

Six Varsities Risk Asset Loss, Over Sh5bn Pension Arrears

PATRICK ALUSHULA

Six public universities risk losing assets such as land and homes to pension schemes after they failed to remit deductions estimated at Sh5 billion to build workers' retirement funds.

Retirement Benefits Authority (RBA) chief executive Nzomo Mutuku said the universities would cede the properties if they lack funds to clear the arrears.

Universities cash flows have been hit hard after lower entry grade cut student population, adversely affecting the lucrative parallel degree courses in which students paid fees based on market rates.

This has prompted many to delay statutory deductions such as pension, which will see thousands of retirees take home smaller retirement benefits as they miss out on the investment incomes.

The RBA reckons it has opened talks with vice chancellors of the unnamed universities to work on a remedial plan to clear the arrears estimated at Sh5 billion.

"In the remedial plan, they may either transfer assets like land and buildings to the scheme if they don't have cash or commit to pay certain amounts of money per month until they clear the arrears," said Mr Mutuku.

"This challenge came, especially during the period that there was a long strike and there was no learning going on and therefore no revenue coming in."

He told the Business Daily that the arrears must be cleared within six years, which is the maximum period allowed in law.

In October last year, the RBA put into use the amendments to the RBA Act in which employers face a penalty of five percent of the unremitted contributions or Sh20,000, whichever is higher.

Data from the Education ministry show that universities failed to remit Sh4.58 billion to the pension scheme as at June 2017.

University of Nairobi had arrears of Sh1.3 billion while Jomo Kenyatta University of Science and Technology owed Sh1.09 billion.

Source: *Business Daily*

Dissolution of Marriage:

THE PLACE OF RETIREMENT BENEFITS

Does retirement benefits form part of the matrimonial property? do courts have discretion on whether retirement benefits can be used for payment of maintenance for former spouses and children?

CLARE ABUODHA & ELSIE WATEIYO

Does retirement benefits form part of the matrimonial property? Do courts have discretion on whether retirement benefits can be used for payment of maintenance for former spouses and children? Clare Abuodha and Elsie Wateiyo delve into the matter.

Divorce in today's world is not a rare occurrence.

According to a recent study by Daystar University, Kenya has a 10 per cent divorce rate with unfaithfulness, interference by in-laws and poverty as the major reasons for the vice.

The Black's Law Dictionary (9th ed. 2009) defines a divorce as, "the legal dissolution of a marriage by a court."

For a divorce to be effected there has to be a valid marriage that is recognized by law.

In Kenya, marriages are governed under the Marriage Act No. 4 of 2014, Matrimonial Property Act No. 29 of 2013 and Common Law as introduced by Section 3 of the Judicature Act, Cap 8.

Background of Marriage and Divorce Laws

In pre-colonial times, polygamous marriages were contracted under African Customary Law and divorce was often considered a taboo. However, with the coming of the British colonialists, written laws were introduced to govern marriages. This saw the introduction of ordinances including the 1902 Marriage Ordinance and the 1904 Native Christian Marriage Ordinance which was the precursor of the 1931 African Christianity Marriage Act, Cap 151 of the Laws of Kenya.

The enactment of the Divorce Ordinance was based on the Indian Divorce Act 1869. It was replaced by the Matrimonial Causes Act in 1941. Judicial separation was provided under the 1928, Separation & Maintenance Ordinance. Islamic Marriages and Divorce were under the Mohammedan Marriage & Divorce Registration Ordinance 1906, while Hindu marriages were under the 1946, Hindu Marriage and Divorce Ordinance.

After independence, all marriage laws were consolidated into the Marriage Act, Cap 150. The presumption of marriage is still recognized under common law ***(see Hortensia Wanjiku Yahweh v Public Trustee C.A No. 13 of 1976).***

The Marriage Act No. 4 of 2014 repealed the Marriage Act, Cap 150 but the systems of marriage remained intact; that is; they are recognized and protected by law. The requirements of a valid marriage include *Capacity; Agreement to marry;* Age and *Formal Requirements.* The requirements may vary depending on the type of marriage

Division of Property at Divorce

During a divorce, the assets of the couple have to be established and matrimonial property has to be set aside for equal division.

Article 45 (3) of the Constitution of Kenya, 2010 provides that:

> *"Parties to a marriage are entitled to equal rights at the time of the marriage, during the marriage and at the dissolution of the marriage."*

Under the Matrimonial Property Act No. 29 of 2013 (Matrimonial Property Act), the spouses in a marriage are given equal status. This means that a married woman has equal rights to a married man in the acquisition, holding, administering, control, use and disposal of property.

The Matrimonial Property Act addresses the issue of matrimonial property, and describes matrimonial property under section 6 (1) as:

(a) "the matrimonial home or homes;

(b) household goods and effects in the matrimonial home or homes; or

(c) any other immovable and movable property jointly owned and acquired during the subsistence of the marriage."

Section 6(2) of the Matrimonial Property Act provides that trust property does not form part of matrimonial property. Trust property is defined in the Black's Law Dictionary (2nd ed. 1910) as *"An equitable or beneficial right or title to land or other property, held for the beneficiary by another person, in whom resides the legal title or ownership…"*

Section 7 provides that ownership of matrimonial property vests in the spouses according to the contribution of either spouse towards its acquisition, and shall be divided between the spouses if they divorce or their marriage is otherwise dissolved.

Therefore, assets that are considered 'matrimonial property' shall be divided between the spouses in the event of a divorce. This then begs the question; do retirement benefits form part of matrimonial property?

Retirement benefits as matrimonial property

Though there is no direct mention of retirement benefits in either the Marriage Act or the Matrimonial Property Act, following from the law as quoted above, two things are clear. The first is that ownership vests according to a spouse's contribution towards its acquisition and the second is that trust property does not form part of matrimonial property.

Contribution is defined in section 2 of the Matrimonial Property Act as monetary and non-monetary support. Non-monetary support includes domestic work, child care, companionship, management of family business or property and farm work.

In the event of a divorce between spouses, the contribution of each party towards acquisition of matrimonial property will be taken into account by the courts. Section 7 provides that where there is no pre-nuptial agreement, matrimonial property vests in the spouses according to the contribution of either spouse towards its acquisition and shall be divided between the spouses. Contribution is thus a key factor in determining the division of assets.

There is precedent on divorce and retirement benefits

The court has interpreted this in the following ways; the case of ***PNN vs ZWN (2017) eKLR*** highlights the court's approach on matters of contribution. The applicant, *ZWN* claimed to have made contributions, monetary and non-monetary, i.e. house work on a number of pieces of land that the couple had acquired over time during their marriage.

The court ruled that the contribution made by the appellant whether financial or not, guaranteed that the matrimonial property should be shared. The other pieces of land however, could not be constituted to be matrimonial property and could therefore not be shared between the couple unless the appellant was able to prove that there was an acquisition of beneficial interest in the property equal to the contribution made.

The case of ***Kivuitu v Kivuitu (1991) 2 KAR 241*** laid down a principle made by the court of appeal in its decision which recognized that:

"The law presumes equal ownership of matrimonial property from the fact of registration of joint names; recognized the wife's indirect financial contribution towards the purchase of the matrimonial home and the fact that both parties held the property as joint venture."

In the case, the court held that on the basis of the wife's contribution and joint ownership, the parties were entitled to the property in equal shares and ordered that the property be independently valued and the husband pays to the wife a sum equal to half of that valuation. The marriage was a statutory marriage and the husband and wife both made financial and indirect contributions to the acquisition of the matrimonial home which was registered in their joint names

Are retirement benefits matrimonial property?

Since retirement benefits are individually acquired by one party, the question is whether a spouse can lay claim to the other spouse's retirement benefits as retirement benefit schemes are established in Kenya under an irrevocable trust and the benefits are held in trust by the trustees for the benefit of a member.

The contributions into the scheme as well as the interest accrued are directly linked to an individual in his or her capacity as a member of the scheme and the identified beneficiaries as appropriate. Ownership therefore can be said to vest fully in the spouse who is identified as a member of the scheme.

Further, while the retirement benefit though vested is still within the scheme, the funds are said to be trust property, fully under the management and control of the trustees. This means that before access, retirement benefits form part of trust property and are not matrimonial property.

There have however been cases where retirement benefits, instead of being considered matrimonial property, have been used for maintenance. Maintenance is a periodic monetary sum paid by one spouse for the benefit of the other upon separation or the dissolution of marriage.

Court has the power to order for payment of maintenance under section 77 of the Marriage Act 2014 on the grounds that; the person has neglected to provide for the spouse or former spouse, the person has deserted the spouse or the former spouse, during the course of any matrimonial proceedings and if the spouse is found to be alive after a presumption of death is made.

According to section 78, maintenance lapses upon the death of the spouse ordered to pay the maintenance or upon the remarriage of the spouse that the maintenance is paid to.

Maintenance is payable to either spouses or children upon the dissolution of a marriage. This amount may be ordered by court to be deducted from the paying spouse's retirement benefits. ***In W.E.L v J.M.H [2014] eKLR*** the former wife of the respondent presented to the court a request for payment of maintenance by the respondent, and the court determined that the respondent was retired and lived off his pension.

Courts have discretion

His pension was however only able to sustain himself as the amount was not much and the court equally determined that the former wife made enough money to sustain her. Her request was therefore rejected.

Maintenance from retirement benefits on the upkeep of a child is described in the case of Local Authorities Pension Trust Registered Trustees v C A O & 2 others [2018] eKLR where the court cited Article 53(2) of the Constitution which provides that in every matter concerning children, their best interests are of paramount consideration.

Since parents have a statutory and mandatory duty to provide for the needs of their children, the court saw it fit to grant maintenance orders to the father of the child, and the amount was to be deducted from his retirement benefits.

In conclusion, since the law provides that retirement benefits form part of trust property and are not otherwise matrimonial property, as seen above courts have the discretion to use retirement benefits for payment of maintenance for former spouses and children.

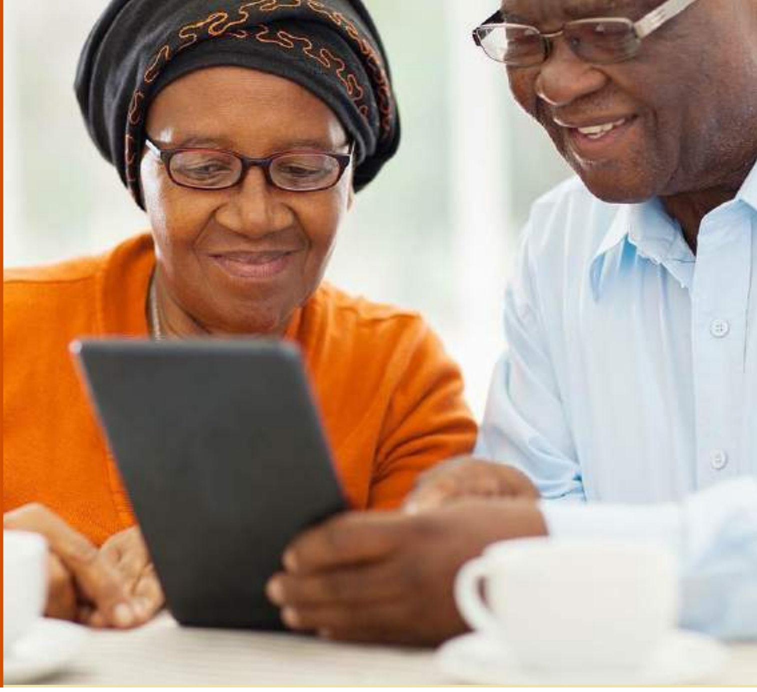
Clare Abuodha is a Legal Officer and Elsie Wateiyo is a Legal Intern at RBA's legal department

Disclaimer:

The views, information and opinions of the writers should not be construed as a legal opinion.

Why Pension is Not Part of Property Under The Law of Succession in Kenya

FRED GEKONDE



The primary purpose of a retirement benefits scheme is to provide benefits to its members upon retirement. The reality is that a member may die before he or she retires in which case the scheme fund must pay the benefit to the member's dependants and beneficiaries.

Retirement benefits which belong to a deceased member of a scheme are referred to as death benefits or survivor benefits. Death benefits are paid to beneficiaries when a member of the scheme dies. The benefits vary according to the rules of the scheme and whether the deceased was still contributing to the scheme, had left the scheme or was a pensioner.

Where issues arise concerning those funds, the process for addressing them is set out in the Retirement Benefits Act and the subsidiary legislation made under it.

Retirement benefits are governed by the Retirement Benefits Act, Cap 197, Laws of Kenya, which states, at Section 36A, that;

"Upon the death of a member of a scheme, the benefit payable from the scheme shall not form part of the estate of the member for the purpose of administration and shall be paid

> "The scheme rules shall provide that upon the death of a member, the benefits payable from the scheme shall be paid to the nominated beneficiary"

out by the trustees in accordance with the scheme rules. "The term *"Estate"* is defined by the Law of Succession Act cap.160 Laws of Kenya as - *"The free property of a deceased person."* While the word 'free property' is defined in the same Act as *"The property of which that person was legally competent to freely dispose during his lifetime, and in respect of which his interest has not been terminated by his death."*

Trustee Discretion

Regulation 23 of the Retirement Benefits (Occupations Retirement Benefits Schemes) Regulations, 2000, provides that;

"The scheme rules shall provide that upon the death of a member, the benefits payable from the scheme shall be paid to the nominated beneficiary and if the deceased member had not named the beneficiary, then the trustees shall exercise their discretion in the distribution of the benefits to the dependants of the deceased member, provided that the trustees may refuse to pay the nominated beneficiary and the reasons for such refusal shall be so recorded."

Further, Regulation 24 of the Retirement Benefits (Occupations Retirement Benefits Schemes) Regulations, 2000, also provides that;

The scheme rules may authorize the trustees to exercise their discretion in the following;

(a) the amount of retirement benefits payable to a nominated beneficiary;

(b) the amount of retirement benefits payable to the children of a member;

(c) the apportionment of a lump sum benefit amongst all dependants;

(d) the apportionment of a retirement benefit amongst surviving spouses and children; or

(e) the reinstatement of a surviving spouse's retirement benefit that had ceased on remarriage.

Kenyan courts have also pronounced themselves on this issue in the past.

Justice William Musyoka in rejecting an application for the said benefits to be made part of the deceased's estate for distribution in ***Re Estate of Carolyne Achieng' Wagah (Deceased) [2015] Eklr*** stated that *"From the material before me, the deceased was a member of the Social Service League Staff Retirement Benefits Scheme. She had made a nomination in favour of her children. By virtue of Section 36A of the Retirement Benefits Act, the benefits accruing to the said children do not form part of the estate of the deceased, and should not be the subject of these proceedings.*

Where issues arise concerning those funds, the process for addressing them is that set out in the Retirement Benefits Act and the subsidiary legislation made under it. The probate court has no jurisdiction over such benefits and it cannot distribute them."

Responsibility of Benefit allocations to the nominated beneficiaries and/or dependants

The Retirement Benefits Act confers on the trustees of a retirement benefits scheme powers to administer scheme property. A trustee means a legal owner of a retirement benefits scheme who is appointed to manage the scheme on behalf of members and beneficiaries and includes a trust corporation.

Importance of beneficiaries' nomination form

The responsibility of distributing death benefits to their rightful dependants rests solely on the Trustees. The trustees must first establish if the deceased member nominated any person to receive a portion of his or her benefits. This is normally achieved by referring to the nomination forms which every scheme member is required to fill and to regularly update. While the Act does not define a nominee, a nomination must; be in writing, specify who the nominee is, be communicated to the scheme; and specify the portion of the benefit that is allocated to the nominee.

Regulation 24 of the Retirement Benefits (Occupations Retirement Benefits Schemes) Regulations, 2000, provides that scheme rules may grant trustees discretion, to be exercised fairly and reasonably, insofar as the distribution of death benefits is concerned.

> "The Act does not define "equitable". Neither does it provide guidelines on how trustees should make an equitable distribution."

The objective of this Regulation is to ensure that those persons who are rightful dependants of the deceased member are not left destitute after his/her death, irrespective of whether or not the deceased included them in the nomination form. This then means that the trustees need to exercise unfettered discretion if the scheme rules allow them such.

In exercising their discretion, trustees need to undertake a clearly documented due diligence exercise of identifying all the dependants and their relationship with the deceased member.

The next stage of the enquiry would be to examine the needs of each dependent so that they can make an equitable distribution amongst them. In doing so, they have to consider all the relevant facts to the exclusion of irrelevant facts.

The Act does not define "equitable". Neither does it provide guidelines on how trustees should make an equitable distribution. Industry best practice provides some of the factors which the trustees can apply.

These factors include the age of the dependant; the dependant's relationship with the deceased; the extent of the dependancy; the wishes of the deceased as stipulated in the beneficiary nomination form, and the financial affairs of the dependants including their future earning potential.

Even though these guiding factors are available, trustees cannot admit them as the only factors to consider when determining the allocation of death benefits.

Trustees need to properly investigate the matter. If they fail to take into account all the relevant factors, or take irrelevant factors into account, an aggrieved person may lodge a complaint with the Authority on the grounds that trustees exceeded their powers or that the decision constituted an improper exercise of their powers.

In addition, any failure by the trustees to take a decision within a stipulated timeline could potentially be deemed as maladministration.

Fred Gekonde is a legal officer at the Retirement Benefits Authority.

Pensioners' Money Now Safer Under New Law

IBRAHIM KITOO

Section 73 of the Finance Act, 2018, which became effective on July 1 amends the Retirement Benefits Act 1997, by inserting Section 53B after Section 53A.

An important aspect of this amendment is that it provides that not withstanding the provisions of Section 53A of the Retirement Benefits Act, and in cases where there is non-remittance of the pension contribution by the employer, the Retirement Benefits Authority shall, among others:

(a) Issue a notice requiring the employer to pay the contributions and interest accrued to the scheme in full with a penalty of five percent of the unremitted contributions or Sh20,000 whichever is higher to the authority; or immediately cease further deductions from employees' emoluments and notify all members of the scheme of the cessation and where there is failure by an employer to comply with a direction to cease such deductions, the authority shall take the necessary action or issue such other directions as it may deem necessary and expedient in protecting the interests of the members, including instituting summary proceedings to recover the amounts due to the scheme;

And (b) initiate the process of winding up the scheme and facilitate members to join individual schemes where their contributions shall be remitted.

> "The Retirement Benefits Authority shall,among others: Issue a notice requiring the employer to pay the contributions and interest accrued to the scheme in full with a penalty of five percent of the unremitted contributions or Sh20,000 whichever is higher."

The Finance Act 2018 amendment to the Retirement Benefits Act comes as potential reprieve to pensioners as it seeks to ensure that employers comply with timely deductions and transmission of deductions to pension schemes.

By providing for penalties, empowering the Retirement Benefits Authority (unlike in the case of Section 53A where it is the scheme itself) to institute summary proceedings to recover delayed unremitted sums and members to join individual schemes, the amendments to the Retirement Benefits Act no doubt serve to discourage and deter delayed transmission of pension deductions.

To further enhance governance in pension schemes administration, the regulator and other stakeholders still have an assignment to see into it that the aspect of corporate trustees, otherwise called trust corporations, is introduced and anchored in the Retirement Benefits Act and regulations.

At present, the requirement for corporate action is limited to individual pension schemes only.

The possible way of doing this is to make it mandatory for all pension schemes to have corporate trustees included as part of the board of trustees of pension schemes. A subtle way is to have them not as the sole trustees but to work alongside individual trustees.

The advantage of this is that corporate trustees will bring on board the often missing yet very important independence into the pension schemes while also infusing the pension schemes with the requisite skills, experience and accountability.

***Ibrahim Kitoo** is an Advocate of the High Court of Kenya and Certified Pension Schemes Trustee*

This article was first published in the Business Daily.

INDUSTRY BRIEFS:

Two banks eye green bonds as law approved

Two unnamed financial institutions have lined up to issue Kenya's first ever green bonds, the country's banking sector lobby disclosed on Wednesday.

This follows regulators' approval of the legal framework to issue the listed and unlisted financial instruments at the Nairobi Securities Exchange (NSE).

The procedures for listing of the financing instruments for climate-friendly projects on the NSE have been approved by the Capital Markets Authority (CMA) and are expected to pave the way for their issuance.

"The approval of the amendments to our listing rules to facilitate issuance of green bonds will enable the NSE offer local and international issuers additional source of green financing, improve investor diversification as well as enhance issuer reputation thus leading to growth in our market," NSE chief executive Geoffrey Odundo said Wednesday during the launch of the amended rules.

Kenya Bankers Association (KBA) director of public affairs Nuru Mugambi said the two unnamed Kenyan banks are firming up plans to issue the special bonds to raise money in the war on climate change. She did not provide timelines.

***Source:** Business Daily*

Capital markets regulator vows to stop insider traders

The Capital Markets Authority (CMA) says it will focus on cheats at the Nairobi Securities Exchange (NSE) to strengthen the reputation of the country's securities market and enhance accountability by participants.

CMA chief executive Paul Muthaura said this amid investigations into suspected insider trading in oil marketer KenolKobil's

shares. It also follows the release of findings of a separate probe where a former CBA Capital executive has been fined for engaging in insider trading in bonds between 2016 and 2017.

"With regard to the impact that (the probe) may have global trends very strongly show that markets respond to effective regulation," said Mr Muthaura during the launch of a legal framework to support the issuance of green bonds in Nairobi.

"…(This) can only serve to strengthen market confidence and the potential for the longer-term for sustainable capital markets," Mr Muthaura told Business Daily.

On Tuesday, CMA fined David Maena, formerly of CBA Capital, a total of Sh166.9 million after finding him guilty of dealing with privileged (non-public) information on bond trades, which he used to front-run the market and make dual trades to profit at the expense of other investors.

The financial penalty is twice the amount of benefit that Mr Maena received from the irregular trading in the fixed income securities that CMA said amounted to Sh83.4 million.

Insider trading robs investors who do not have non-public information of receiving the full value for their securities, experts warn.

"Insider trading misprices capital. hurting efficient economic development; reduces returns for the poor who have no access to inside knowledge; and hides illegal or criminal money behind a wall of inflated prices or deflated costs," said Deepak Dave, a risk management expert with Nairobi-based Riverside Capital in an earlier interview.

The CMA KenolKobil's probe pertains to shares traded ahead of last year's announcement of a Sh35 billion takeover of the company.

Source: Business Daily

RBA PICTORIAL

The winning team. RBA staff celebrate their win during the Joint Financial Regulators sports day held at the Public Service Club in March 2019. Insurance Regulatory Authority (IRA), Sacco Societies Regulatory Authority (SASRA) and Capital Markets Authority (CMA) employees participated in the event.

RBA Football team members John Keya (left) and Fred Gekonde (right) tackle the ball during the event.

A section of RBA staff playing games at the Public Service Club.

RBA staff under go health check at the annual wellness day. The event was held at the Public Service Club in May 2019.

RBA Procurement and Supply Chain Deputy Manager, Priscillah Macharia addresses participants at an (AGPO) supplier sensitization event in March 2019.

Participants keenly following presentations during the AGPO sensitisation workshop at the Intercontinental Hotel.

Dan Awendo (First left), CEO – Home Afrika Ltd, RBA CEO MR. Nzomo Mutuku (fourth right) and Ms. Eva Warigia (third right), Executive Director - East Africa Private Equity and Venture Capital Association with other participants at the Kenya Property Developers Association and Shopping Centres Association of Kenya CEO Breakfast Forum on Thursday, 28th February 2019 at the Villa Rosa Kempinski Hotel in Nairobi. Theme for the forum was 'Emerging Financing Options for Commercial Developments'.

Retirement Benefits Authority's Guidelines drafting Team with Stakeholders during review of the Trustee Remuneration Policy (TRP) on March 4-6 2019 at the Lake Naivasha Resort.

Anne Mugo, Chief Manager of Market Conduct at RBA, sharing a speech on behalf of RBA CEO Mr. Nzomo Mutuku at a conference organized by Zamara.

RBA Chief Manager, Human Capital Development and Administration, Gordon Bulinda attending to guests at the 2019 Mombasa ASK Show.

RBA's Communication Officer Michael Mwangi (left) educating visitors on the need to save for retirement, at the 2019 Mombasa ASK show.

Jackson Nguthu, Manager, Supervision department attending to guests at the 2019 Mombasa ASK Show.

John Osogo, Deputy Manager Finance, sensitizes members of the public who visited the RBA stand, at the 2019 Mombsa ASK Show.

RBA Board Member Margaret Makumi (left) with Internal Audit Manager, Elizabeth Waruingi at the 2019 Mombasa ASK Show.

RBA Staff member, Cherop Toroitich (left), attending to a visitor at the 2019 Mombasa ASK Show.

Why Persuasion Makes the Best Case for Driving Up Pension Uptake

"Mandatory provision is one way that many countries have adopted to increase the coverage of pension schemes..." - RBA CEO Nzomo Mutuku

KEPHA MUIRURI

The carrot and stick metaphor is an old adage describing the combination of reward and punishment to push individuals towards a specific desired behavior.

Often used by state machinery, the theory does not however hold much water when it comes to scaling up the coverage of pension schemes in the country.

Retirement Benefits Authority Chief Executive Officer Mr. Nzomo Mutuku who spoke to Citizen Digital on the sidelines of the regulator's employer sensitization seminar on Friday, March 1, 2019 broke down the complexities involved in applying force to warrant employers and employee sign-ups to pension schemes.

"The majority of the labour force in Kenya is mainly in the informal sector while existing pension schemes including the mandatory National Social Security Fund (NSSF) only captures employees in the formal sector," he said.

The same complexities extend to the formal sector, where previous attempts to oblige employers to mandatory subscriptions to occupational pension schemes have met legal road blocks.

Mandatory pension still a pipe dream

"Mandatory provision is one way that many countries have adopted to increase the coverage of pension schemes. I think it's a policy initiative to consider. There was the provision in the NSSF Act of 2013 which sought to move us towards that direction. However, that has not taken off as it was stopped in the courts," Mr. Mutuku added.

With pension coverage in the entire workforce standing at 20 percent, RBA has refined its tact to coverage to persuade employers through sensitization workshops while embracing devolution to drive down pension scheme information to the grassroots.

For the informal sector, the regulator is banking on innovation in product delivery to eliminate twist and turns such as paperwork in a move to ease the understanding of retirement products to the masses.

Digitization as an outreach vehicle has already paid dividends for the RBA with its tailored mobile money solution dubbed the Mbao Pension Plan growing to surpass all other available pension schemes in less than five years since launch.

Funds raised from pension schemes have similarly grown to take their place in finance with their value surpassing the Ksh. 1 trillion-mark in 2017

according to the latest available data from the retirement scheme regulator.

There currently exists a total of 1250 occupational pension scheme and 35 individual schemes to add to the state owned NSSF. To deepen the involvement of the large pool of funds in investments, the regulator is mulling the separation of infrastructure to become a standalone portfolio for pension schemes to diversify investments.

Currently pension schemes are at liberty to put their funds in up to 14 unique portfolios to include government securities, real estate, private equity (PE) and venture capital (VC)

Investments in property, PE/VC are however capped at 30 and 10 percent each respectively while there exists no limit to investment in government's fixed-income instruments.

Pension schemes have however come under fire for prioritizing investments in government bonds and Treasury bills, at the expense of missing out on greater returns in other investment classes.

Nzomo Mutuku played down the critique saying government securities as a share of the pension's value book is only representative of 35 percent, which he says fairs better than pensions in other African jurisdictions, whose stock in government exceeds 60 percent.

This article was first published on Citizentv.co.ke on March 2, 2019

Building Teams For Excellence

"Teamwork is the fuel that allows common people to produce uncommon results and it is good for business success," says Andrew Carnegie, a Scottish-American industrialist, business magnate, and philanthropist.

MAGGY MWANGANGI

RBA team at a past Team Building Session at the Naivasha's Great Rift Valley Lodge

"Teamwork is the fuel that allows common people to produce uncommon results and it is good for business success," says Andrew Carnegie, a Scottish-American industrialist, business magnate, and philanthropist.

As an HR Practitioner in a growing organization, perhaps the biggest hurdle is how to integrate new staff into the team.

How do you give them a sense of belonging, assimilate them into the organization's culture and ensure they fit well?

Onboarding, as we call it, helps create a desirable first impression and increases chances of new hires to quickly adopt the corporate culture and work harmoniously with existing employees.

If well executed, the integration process significantly increases new employee's job satisfaction and productivity as the organization maximizes on their skills and competencies.

RBA has found team building exercise to be the most effective way of engaging employees while at the same time improving performance and productivity of existing employees. Currently, RBA has a capacity of 68 staff. Fourteen (14) of the 68 are new staff appointed in the financial year 2018/2019.

The Authority has over the years built a team culture and every financial year, organizes a Team Building exercise to enhance team cohesion and teamwork among staff.

The activities organized by the Human Capital Development and Administration (HCDA) department have played a significant role in motivating the employees and especially making new members part of the RBA family.

The employees get to learn more about the Authority's overall goals, mandate, and objectives in a relaxed atmosphere. At the same time, they get to build relationships as they network and socialize. This leads to the increase of trust and confidence levels in their colleagues.

Engaging in these activities enables them to interact and better understand their colleagues outside the office setting.

For existing employees, team building activities increases their commitment to the organization and improves cross-department communication.

RBA is currently enjoying synergy as a result of team building activities over the years. Departments are involving each other in their various activities for the good of the Authority.

Team bonding has created an opportunity for employees to see each other in a different light and allowed many to forge connections outside the office.

Team building programs that are well crafted provide experiential opportunities that empower individuals to make valuable contributions towards a shared vision.

To this end, the success of most organizations certainly depends on the ability of individuals to build strong and effective teams.

It is also proven that team building activities improve workplace projects that require a team effort. At the end of team building sessions employees usually better understand each other's strengths, weaknesses and interests; these, when applied in office assignments, translate to success.

Such activities also help create an environment that is fun to work in hence create job satisfaction and retention. It is also true that people tend to have a larger imagination when they are around people they are comfortable with.

Last year the HCDA department organized a team building exercise under the theme of inclusiveness and integration. The two-day event themed: 'Surrender the me for we' took place on 27th and 28th September 2018 at the Naivasha's Great Rift Valley Lodge.

The objective of the exercise was to enhance teamwork, strengthen staff interpersonal communications, improve productivity, boost staff morale, induct new staff and create unwinding moments through team activities.

The program methodology entailed brief lectures and experiential learning through discussion groups, outdoor and indoor group exercises.

The program was tailored to fit the participants and the Authority's needs and expectations. The event facilitated by SBO Research Ltd also involved a myriad of interactive games, all designed to improve staff relations.

The HCDA department remains committed to building a culture of teamwork at the workplace. We are not there yet, but we are almost.

Ms Mwangangi is the Deputy Manager, Human Capital Development and Administration at RBA

TEAM WORK

Coming together is a begining
Keeping together is progress
Working together is success
–Henry Ford

RBA team at a past Team Building Session

Huduma Namba Will be a Game Changer

BITANGE NDEMO

There are murmurs that Huduma Namba or the National Integrated Identity Management System (NIIMS) project could be abandoned. In the era of increasing cybercrime, the absence of a trusted biometric identity could rob the country of its status as a regional hub for Information and Communications Technologies (ICTs).

The NIIMS is perhaps the low hanging fruit that will give President Uhuru Kenyatta a lasting legacy. It was hoped that NIIMs would form the foundational infrastructure for the upcoming Census, possible referendum and the Big Four agenda but the politicians are changing the narrative to fit their own selfish intentions.

It is a fact that the 2009 Census was manipulated by overestimating the population of eight sub counties in northern Kenya. The only way of providing a credible Census is through biometric identity.

The emerging technologies that would propel the 4th Industrial Revolution require a trusted identity to enable citizens to access benefits such as insurance, pensions, property deeds and virtually all services offered at Huduma Centres.

The system can also facilitate financial transactions including the purchase and sale of digital assets. Kenya leads the world in mobile money, e-commerce is growing exponentially, and government is digitising services to enable a digital economy to flourish.

Kenya simply has no choice but to embrace biometric identity to guarantee a digital economy, security, convenience and a good return on investment in Kenya's investments in the digital space.

RBA CEO Mr. Nzomo Mutuku (right) registers for Huduma Number at RBA offices

In his paper, ''Biometric identification, financial inclusion and economic growth in India: does mobile penetration matter? analysing the impact of Aadhaar (the biometric identification process), Inclusion and Mobile'', Saibal Ghosh established that there was evidence pointing to the fact that Aadhaar is making its impact felt on financial inclusion, primarily by improving financial access.

Champions of the system, including Prime Minister Narendra Modi, say that Aadhaar "is India's ticket to the future, a universal, easy-to-use ID that will reduce this country's endemic corruption and help bring even the most illiterate into the digital age."In a New York Times article, ''Big Brother' in India Requires Fingerprint Scans for Food, Phones and Finances'', officials were reported saying taxpayers have saved at least $9.4 billion from Aadhaar by weeding out "ghosts" and other improper beneficiaries of government services.

There are, however, challenges. Civil society and other organisations fear that the government may misuse the data by conducting surveillance on citizens and that the data is not secure as it may fall into the wrong hands.

The sheer amount of private and confidential data amassed in one single database, makes it a target of cyber attacks and indeed there have been a number of data breaches.

The benefits, however, outweigh the costs and as such the government has made it mandatory as they work to curb cybersecurity breaches. The future is inherently digital. In spite of challenges, implementation of a trusted identity system must continue and be embraced by all.

Biometric identifiers

Already, passports across the world now have biometric identifiers as a strategy to fight problems such as terrorism.

As the studies have shown, in biometric we have the opportunity to enable financial inclusivity and hopefully begin to disrupt poverty. At the 11th Extraordinary Assembly of the African Union (AU) in Addis Ababa, on November 18, 2018, the African Union Commission and the Economic Commission for Africa (ECA) organised a high-level meeting on Digital Identity.The objective of the meeting was "to spearhead the advocacy for a continental framework on Digital ID and provide technical inputs to the discourse on Digital ID on the continent, define and shape standards for Digital ID in Africa."

Even as AU and ECA contemplate the Digital Identity standards for Africa, several African nations, notably Ethiopia, South Africa, Ghana, and Rwanda are in the process of issuing biometric identity to their citizens. Its implementation across Africa will bring the continent closer to her intended African Continental Free Trade Area. The Digital Identity, despite drawbacks, comes with greater benefits of not just security, convenience and returns on investment, but will help cut the cost of the upcoming Census and elections. It will be Mr Kenyatta's most assured legacy project.

Bitange Ndemo *is an associate professor at the University of Nairobi's School of Business.*

This article was first published in the Business Daily

KWENA:
WORK-LIFE BALANCE IS TOUGH

Whereas it is important to invest in quality househelp, a parent's role cannot be delegated because children will always notice when a parent is absent.

CAROLINE OKELLO

Rose Musonye Kwena, Chief Manager, Corporate Communications, Retirement Benefits Authority

Balancing work and family is a challenge I have encountered throughout my career. When I was building my career, I was globe-trotting and I missed many milestones of my son's life. One day, I was in town and he invited me to his parent/teacher conference which I promised to attend. But work came calling and I forgot about it until the next day when he looked at me sadly and reminded me that I missed the appointment! I was so guilty and I promised it would never happen again.

But in his little voice, he told me not to worry because I was not like other mums. I asked him how other mums were, and he replied: "They are always there." That day, I made the decision to leave that job and move to one that did not require extensive travel. Whereas it is important to invest in quality househelp, a parent's role cannot be delegated because children will always notice when a parent is absent.

The "lap of honour" at parenthood has given me a second chance to make up for some of the mistakes I made.

I normally wake up at 6 am during the week. I get ready then help my daughter get ready for school. I pack a morning snack and lunch then leave for work at 7am. I am in the office by 8am. I have my morning tea and the packed snack in the office.

At the office, I first check my email and scan the newspapers, then embark on implementing the activities on the day's to-go list. This includes attending meetings, directing my team, speech writing and editing other collateral material, outreach, and so on.

"Whereas it is important to invest in quality househelp, a parent's role cannot be delegated because children will always notice when a parent is absent."

Occasionally, I visit counties for outreach to employers and informal sector workers. This is done in collaboration with the county governments and pension product issuing entities.

My job entails managing the strategic communication and outreach functions at Retirement Benefits Authority (RBA).

Managing the communication function can and does look to many people like being in charge of "entertainment": staging PR stunts and employee pep rallies, or being a social media butterfly, but it is not.

In my role, I am counsel to the CEO, manager of the Authority's reputation and Image, source of public information about the Authority and the pensions sector in general, driver of the Authority's publicity to increase awareness on the importance of saving for retirement and the available channels.

I am also the brand perception steward and corporate citizenship champion. I also represent the Authority on the OECD/International Network on Financial Education (INFE) Technical Committee and double up as the country coordinator.

Sensitising young Kenyans on the importance of saving for retirement is the favourite part of my day. This is because for long, retirement and old age were taboo subjects that were never talked about.

This is despite the fact that unlike death, retirement is a phase of life where we are the active participants. Therefore, failure to adequately prepare for retirement is preparing for old age poverty. During outreach sessions, I am very happy when I witness people signing up for the pension product because I know that their old age is secured.

If I am not having an official meeting, I carry packed lunch. When I joined RBA 10 years ago and was managing retirement planning seminars, I learnt that there are simple things one can do to save money for investment, and one of them is to carry left-overs to the office for lunch. This way, you not only save, but eat healthy food that has been cooked in a clean environment.

One spends between Sh200 to several thousand shillings on lunch alone. If this money were saved over a period

of time and invested in a pension fund, it would make a huge difference in old age. I have since made it my business to advise my friends and colleagues who care to listen to carry food to the office.

I try to be home by 6pm every evening so that I can have dinner with my little girl. I don't do many dinners away from home if I can help it – unless they are family dinners.

When I get home, I play with my daughter before nightfall. We have dinner at 6.30pm, then I prepare her for bed and read her a story. She then leads us in prayer before going to bed. I watch prime time news then retire for the day.

Outside work, I enjoy spending time with my family. I am totally engrossed in the life of our "retirement baby" (she turned four on Valentine's Day) who takes up most of my time. I drop and pick her from school when I can and try to make time for most of her activities.

She re-energises me even when I am exhausted. She doesn't have siblings in the house now, and so naturally, her dad and I are her playmates. We sing, dance and play a lot. We try to align our out-of-town assignments to her needs so that one of us is at home every day. I also keep up with my older son. We talk every Sunday and try to meet as often as possible. I enjoy cooking, dancing and traveling.

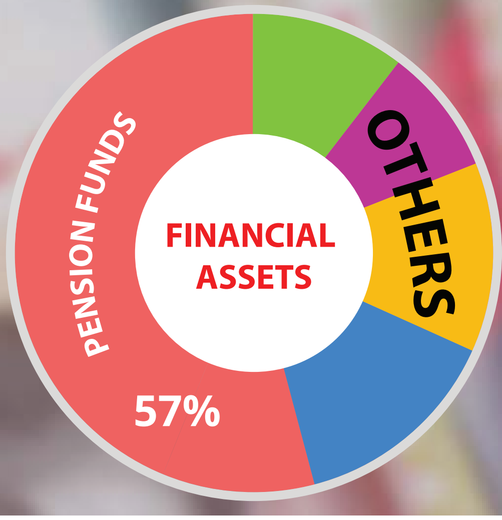
This article was first published in the Standard Newspaper

Top and below : Rose Kwena doing what she loves and knows best .

Pension Funds Tops List of Unclaimed Financial Assets

Unclaimed Financial Assets Authority,UFAA, gives a relief to members or beneficiaries with unclaimed pension benefits to trace them through a search with UFAA.

LEONARD AUDI



Pension schemes are estimated to hold up to about Kshs. 69 billion in unclaimed financial assets according to a survey commissioned by the Unclaimed Financial Assets Authority (UFAA).

The survey that was conducted in October, 2018 indicates that pension schemes hold 29% of the total estimated Kshs. 241.11 billion in unclaimed financial assets. They are closely followed by commercial banks which hold 28% of the total unclaimed financial assets.

The unclaimed pension benefits, according to the report, are scattered across various existing schemes particularly those where members make contributions (Defined contribution schemes).

The bulk of the unclaimed pension benefits are believed to be held by the statutory National Social Security Fund (NSSF) by the mere fact that it is the largest pension scheme in Kenya with an asset value amounting to about Kshs. 210 billion, as at December, 2018 and a total membership in excess of 2.5 million.

This cannot however be ascertained since the report does not provide disaggregated figures of unclaimed financial assets held by individual schemes.

Nonetheless, in a section of media reports, NSSF put up paid adverts for members to collect their unclaimed benefits with the aim to reduce the backlog of unclaimed benefits held by the fund.

Equally, there have been reports of funds from unknown contributors attributable to casuals or those who temporarily lost their jobs or lack permanent addresses hence their accounts are not updated.

Some of the reasons for the accumulated unclaimed pension assets include ;

- Instances where some of the deceased members did not inform their next of kin or nominated beneficiaries of the benefits.
- Also, the beneficiaries may have given up on the benefits after following it up for years without success. In addition, some members may have forgotten about their contribution particularly those employed as casuals while others may be unaware about pensions they earned during their career.
- Finally, other reasons maybe because of incomplete members' records particularly lost contacts making it impossible to trace the members or their beneficiaries.

In an effort to provide a legal anchorage for unclaimed pension benefits, the Retirement Benefits Act No. 3 of 1997 under Section 45A (1) provided for the establishment of a trust fund into which shall be paid the benefits and other accrued income of members of retirement benefits schemes who cannot be traced within a period of two years from the commencement of winding-up of the respective schemes under the Act.

The provision could only be applied in circumstances where there is winding-up of a scheme. In effect, it had inherent limitations for non-winding-up schemes where members or beneficiaries of schemes could not be totally traced after payment of their benefits fall due.

Consequently, the unclaimed benefits remained with the respective schemes hence the accumulation of the funds. However, the coming into operation of Unclaimed Financial Asset Authority (UFAA) has rendered the provision of unclaimed pension benefits in the Retirement Benefits Act redundant and by extension cured the existing loophole in the same act.

The provision in UFAA Act requires all financial assets held in a fiduciary capacity for the benefit of another person who cannot be traced within two years after they fall due for payment to be transferred to the Authority for eventual unification. This comes as a relief for members or beneficiaries with unclaimed pension benefits to trace them through a search with UFAA.

***Mr. Audi is** a Senior Economist, Research and Strategy Department at RBA*

Why You Should Not Withdraw Pension Savings Prematurely

NELSON KURIA

The aim of having a pension plan is to afford consistent income in retirement; however, there are occasions when a contributor can access all or a portion of their money before retirement.

The most common types of early withdrawals occur when retirement fund members change jobs or resign and they need some kind of money to stay afloat.

Research shows that people typically move jobs between five to seven times throughout their career life, and one of the biggest retirement mistakes one can make is to cash out pension fund whenever one changes jobs.

The option to cash out one's pension is a big temptation which many people cannot resist and it is a matter of great concern. People will give all kinds of explanations for cashing out, from "I have to pay off my debts," or "I am okay paying the tax, "I will make up for it later," or "I'll get another investment with better returns than my pension fund." Then upon reaching retirement, with barely enough money, not preserving the capital becomes one of their biggest regrets.

Many members exercise the option of taking their money without fully understanding the devastating impact "premature withdrawals" will have on their long-term pension plan and their future.

While this may seem like a quick cash-flow remedy, cashing out your pension not only borrows from your future for early gratification but is also in actual fact an act of self-sabotage of your financial position in retirement.

> "While this may seem like a quick cash-flow remedy, cashing out your pension not only borrows from your future for early gratification but is also in actual fact an act of self-sabotage of your financial position in retirement."

Pension consultants at Enwealth Financial Services observe that many retirement fund members are unaware of the severity of having to pay hefty penalties and tax. Although the penalties for early withdrawals vary depending on the service provider, legislative taxes still apply.

According to a tax report released by Deloitte and the Kenya Revenue Authority, all early withdrawals are subject to normal Pay-as-You-Earn. Constant withdrawals out of your pension fund and relatively low contributions will significantly result in paying more tax for each withdrawal, leaving you with less and less money to retire on.

Taxes aside, premature withdrawal from a retirement plan can cause the fund member to lose on compound interest. When you withdraw early, you not only lose your savings but also you miss out on the accumulative interest you would have earned over time.

This is referred to as opportunity cost, a popular term used by investors where one misses out on compounding interest over time.

To put this into perspective, imagine you started working at 25 years of age and started your long-term savings towards retirement at the start of your working life. Assuming you save Sh1,000 per month over your entire working life without "breaking into the vault" for 25 years until age 50, your savings would grow to Sh1,233, 324.90 based on an average annual net return of nine per cent. However, if after 10 years you choose to change jobs, cash out your retirement to, for example, upgrade your phone, car and to start saving afresh at your new company, the consequence is that when you retire you would have saved only Sh398,000, that is 68 per cent less to retire on.

The golden rule of realising value out of your retirement savings is to save consistently from all your incomes and preserve your benefits to realise the benefits of compound interest over time.

Cashing out your money during the journey is tempting but will invariably not be worth it in the long run. It is also wise to utilise pension funds as a vehicle to effectively diversify your investment and manage your tax liabilities and lastly not to forget that the objective behind savings is to attain financial security and freedom in retirement.

Nelson Kuria, *Chairman, Enwealth Financial Services Ltd.*

This article was first published in the Business Daily

What Happens to Pension on Closure of Company

ADIL SULEMAN & HARRIET OKUMU

Throughout our various discussions on occupational pension schemes, we have explored in detail the different types of occupational pension schemes, the type of benefits that are payable therein, the rights of members and, more recently, taxation.

Remember that an employer sets up an occupational pension scheme for the provision of pension benefits for their employees.

Occupational pension schemes can be either defined benefit (a defined benefit is promised at retirement) or defined contribution – determined by the scheme trust deed and rules and the benefit at retirement depends on the member's accumulated contribution balance.

But what happens if the employer ceases to exist for one reason or another? What happens to your pension benefits?

The good news is that the members' pension benefits are protected.There are a couple of things that members' need to know.

A scheme might be wound up when an employer can no longer support it by paying its contributions. For example, because it has gone out of business. If a company is insolvent, the pension plan will be terminated and the same can happen in the case of reorganisation of a company.

> "Members' pension benefits are not forfeited during employer insolvency or winding up."

However, members' pension benefits will not be forfeited during employer insolvency or winding up. How so?

For starters, all registered schemes are set up under irrevocable Trust. This means that the scheme is a separate legal entity from the employer that establishes the scheme and its assets do not belong to the employer. The assets are, therefore, protected and cannot revert to the employer in instances of insolvency. In other words, the employer's creditors cannot make a claim on the scheme assets.

Furthermore, registered retirement schemes are regulated by the Retirement Benefits Authority (RBA) under the Retirement Benefits Act and Regulations.

So, there are set regulations that drive the process of the liquidation of a pension scheme and ensure transparency and equity for the members of the affected schemes. The regulations provide that, in the winding up of a plan, the value of interests and pension benefits of the members are ascertained through a pre-determined procedure.

The only not-so-good news, however, is that the process of winding up a pension scheme is difficult and time-consuming.

As per the set regulations, a liquidator needs to be appointed to wind up the affairs of the scheme and to submit to the RBA preliminary accounts and reports, which can also be submitted to members.

Any fees payable to the liquidator are borne by the scheme.

At the end of the liquidation, members' benefit entitlements are the net proceeds after all necessary expenses have been deducted. The expenses are pro-rated among all the members of the scheme.

The impact of winding a scheme is significantly different depending on whether the scheme is a defined benefit or a defined contribution.

A defined benefit scheme represents a fixed promise by the employer to pay the member a stated amount at retirement.

An employer's insolvency or closure translates into one being unable to meet that promise in full.

The Board of Trustees, who are ultimately responsible for the safe operation of the scheme and enforcing the rules of the Trust, would obtain a detailed valuation of the scheme and deal with the winding up of the scheme and the way that the members are to be compensated – which is particularly complex due to the need to ensure fair treatment of members.

The scheme trust deed and rules usually spell out how this is to be done.

Whether the direct benefit is funded or unfunded also determines the procedures to be followed. Members' benefits will be secured to the extent of the assets in the direct benefit scheme, which might mean a reduction in the benefits payable if the scheme is underfunded.

A DC scheme has no future obligation to the members once it is wound up save to secure the benefit already built up in the members' individual pension pot. Recall that for a defined contribution, it is the contribution that is defined, not the final benefit.

> "The impact of winding a scheme is significantly different depending on whether the scheme is a defined benefit or a defined contribution."

Members would have the option of transferring their pension benefits to another registered retirement benefits scheme or receive their benefit entitlements as per the scheme rules.

Such benefits shall also include those assigned for purposes of providing for pension-backed mortgages.

All in all, each scheme is governed by the trust deed and rules that usually clearly indicate the procedure to be followed in the event of the wind up of the scheme.

During the process of the winding up of a scheme, the trustees have a duty to keep members informed of the progress made on the liquidation.

This article brings us to an end of our focus on pensions and retirement.

Before we move on to other savings and investment topics, we would like to invite readers to send us any pension and retirement-related questions through our e-mail addresses.

We will do our best to respond to some of them in the next article in our series.

ADIL SULEMAN & HARRIET OKUMU, *Actuarial consultants at Zamara. E-mail: asuleman@zamara.co.ke; hokumu@zamara.co.ke*

This article was first published in the Business Daily

The Link Between Records Management,
Good Governance and Access to Information

Achieving good governance and accountability cannot be successful without available and accessible records and information which citizens can use as a basis for demands.

KELLY GITAHI

The manner in which records are managed has become critical, not only for historical purposes but also and most importantly, for current and future mission-critical business operations.

Ensuring compliance with legal and regulatory record keeping requirements helps an organization avoid costly fines or other penalties.

Records are mostly used as tools and instruments with which to understand the organization culture and can be used as a basis for improvement, comparison with other agencies and to secure resources.

Records provide the essential evidence that a particular action or transaction took place.

Records support all business functions and are critical in formulating/assessing policies and programmes and analyzing individual and organizational performance.

Without reliable, accurate and effective system to manage records, a government cannot manage the state resources and its revenue or its public service. It cannot also deliver services to the public or be held accountable for its decisions, actions, and uphold the right and obligations of its citizens.

The role of the government has been redefined to meet the new demand by citizens for transparency and accountability.

> “Without reliable, accurate and effective system to manage records, a government cannot manage the state resources and its revenue or its public service.”

The enactment of the Access to Information Act in September 2016 was a game changer on how members of the public can access public information and proper management of records by public entities.

In the High court of Kenya Constitution Petition No. 278 of 2011 in the case of Nairobi Law Monthly v KenGen, the court handed citizens the right to demand any information from any public company.

The Retirement Benefits Authority for instance, has digitized scheme records and always upload publications on its website to facilitate access to information by the public in compliance with Section 17 of the Access to Information Act, 2016.

In addition, the Authority receives many requests for information from stakeholders like scheme members (on composition of trustees) and Government agencies (e.g. pension schemes data requested by KNBS for preparing the yearly Economic reports).

The Financial Sector Regulators (RBA, CMA, IRA, SASRA and CBK) also signed an MoU in 2009 to facilitate information sharing that will assist in collaboration in supervision of Financial institutions and matters of mutual interest.

The movement towards democracy, culminating into an open and just government, depends on organized and well-managed records and information systems.

Achieving good governance and accountability cannot be successful without available and accessible records and information which citizens can use as a basis for demands.

Record-keeping is a fundamental activity for any public administration. Without records, there can be no rule of law and no accountability. Public officers should have information to carry out their work, and records represent crucial source of information.

They provide a reliable, legally verifiable source of evidence of decisions and actions. They also document compliance or non-compliance with laws, rules, and procedures.

For instance, inadequate information system at RBA would affect delivery of services as spelt in its Service Charter. Adherence to the service charter therefore calls for well-kept and well-managed records.

Properly managed records in many organizations underpin effective policy formulation and decision making which have a bearing on effective service delivery.

For example, sound records management enables the RBA Board and management to function productively and account for its actions.

RBA also relies on industry statistics and research reports from key stakeholders like CMA, IRA, AKI, KIPPRA, KNBS, FMA etc. for effective policy formulation and decision making. Without accurate and reliable records and an effective system to manage them, the Authority would neither effectively account for its decisions nor its actions, subsequently; undermining the rights and obligations of its stakeholders.

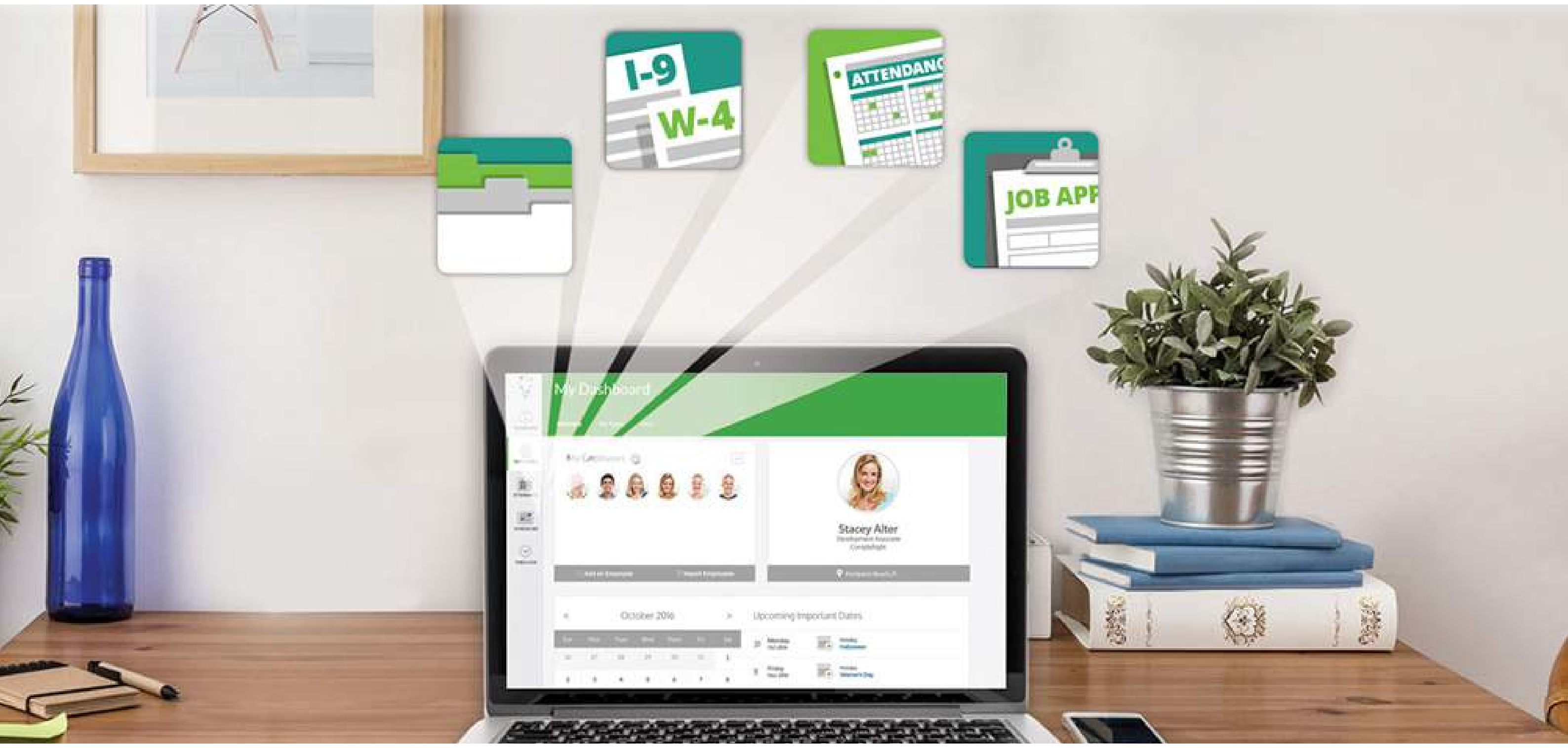
Today, many organizations have in their possession vast quantities of records in a variety of formats that have been created in the course of its operations over past years.

For example, at RBA, they include scheme records like application for registration forms, Scheme registration certificates, trust deed and rules, service level agreements, deeds of amendment, industry data/statistics, research reports and correspondences between RBA and its stakeholders. These records represent the Authority's corporate memory, providing historical evidence for decisions and actions that have been taken. They also support daily functions and operations, thereby assisting the Authority to fulfil its mandate as per the Retirement Benefits Act, 1997 and other relevant legislations.

The management of public records in Kenya is governed by the Public Archives and Documentation Service Act, Cap 19, of 1965 (Revised 2016) of the Laws of Kenya, the principal law. In addition, other Acts of parliament, rules, regulations, circulars, manuals and general letters have been issued to improve records management in the public sector.

Mr Kelly Gitahi *works at RBA's Supervision Department (Registry section)*

Record management is knowing what you have, where you have it and how long you have to keep it



God's Excellence In the Market Place

Colossians 3:23-24; whatever you do, work at it with all your heart as though you are working for the Lord not for people.

GEORGE OGWANG

The work of God has often been associated with service in the church. It has been an expectation that for one to be considered to be doing the work of God, it has to be in the spheres or confines of the church or a Christian religious institution.

A closer examination of the early church, the distinction seemed blurring and that seems to be the intentions of the Lord Jesus Christ.

In the book of Act 6, the dispute arose during the great awakening when the twelve disciples were unable to both preach the gospel and wait on tables. The background of this was that the word of God could not be separated from supporting the needy especially the widows.

The disciples unable to cope with the demands, appointed seven (7) men to assist in waiting the tables whilst they continued to preach the Gospel and to pray. Among those chosen were Stephen and Philip. The overarching credential was that they were to be men full of faith and filled with the Holy Ghost. Their work was not on the pulpit but on the periphery- handling food service and logistics.

We learn from the scriptures later, that whilst these men continued with "behind the scenes" work, they remained men of good standing, blameless and whose light shined while doing the work of service. Their work was eminent outside the pulpit. In particular, Stephen was martyred for his unwavering stand for the truth of the gospel of Jesus Christ.

Closely, apostle Paul reminds of similar service in Colossians 3:23-24; whatever you do, work at it with all your heart as though you are working for the Lord not for people. Remember that the Lord will give you as a reward what he has kept for his people. Remember, Christ is the real master your serve.

The apostle, admonishes us that whatever we do everywhere and in every place, we ought to do so with diligence for we are not working for the praise of men but for our father in heaven. This is consistent with the first task God gave man in Genesis 2:15, to work and take care of the garden of Eden. Wise King Solomon in Ecclesiastes 9:10 reiterates this by stating: "whatever you do, do it well."

In conclusion, God doesn't put distinction between our work in the marketplace (offices) and the work of direct service in his house. All must be done well with diligence if we are to obtain reward that He has promised in his word. God's principles are the same in relation to the reaping for the good works wherever he places us at any given time. There is a great opportunity to serve God, the Biblical Daniel was an excellent and blameless civil servant.

George Ogwang is the Head of Procurement and Supply Chain at RBA

Retirement Benefits Authority

safeguarding your retirement benefits

NOTICE TO THE RETIREMENT BENEFITS INDUSTRY

Pursuant to the provisions of Sections 22 (3) and 29 (2) of the Retirement Benefits Act, the Authority would like to bring to the attention of the Retirement Benefits Industry, the list of the registered Administrators, Custodians and Managers.

	ADMINISTRATORS	TELEPHONE	POSTAL ADDRESS
1	APA Life Assurance Limited	3641000	30389-00100, NAIROBI
2	Benefits At Work Limited	0700 688248	27932-00100, NAIROBI
3	Britam Life Assurance Company Kenya Limited	2833000	30375-00100, NAIROBI
4	Chancery Wright Insurance Brokers Limited	2641714	55537-00200, NAIROBI
5	CIC Life Assurance Limited	2823000	59485-00200, NAIROBI
6	CPF Financial Services Limited	2046901	28938-00200, NAIROBI
7	Eagle Africa Insurance Brokers Kenya Limited	4946000	30076-00100 NAIROBI
8	Enwealth Financial Services Limited	2788000	52840-00200, NAIROBI
9	ITSL Trust Company Limited	2750000	46143-00100, NAIROBI
10	Kenindia Assurance Company Limited	2228755	44372-00100, NAIROBI
11	Kenya Orient Life Assurance Limited	2728603	34530-00100, NAIROBI
12	Kingsland Court Benefits Services Limited	2711461	10285-00100, NAIROBI
13	Liaison Financial Services Limited	0703071000	58013-00200, NAIROBI
14	Liberty Life Assurance Kenya Limited	2866000	30364-00100, NAIROBI
15	Madison Insurance Company Kenya Limited	2864000	47382-00100, NAIROBI
16	Minet Kenya Financial Services Limited	4975000	20102-00200, NAIROBI
17	Octagon Pension Services Limited	0708 726830	10034-00100, NAIROBI
18	Pacific Insurance Brokers (EA) Limited	2586568	50565-00200, NAIROBI
19	Pioneer Assurance Company Limited	2220814	20333-00200, NAIROBI
20	Roberts Insurance Brokers Limited	2464558	73415-00200, NAIROBI
21	Saham Assurance Company Kenya Limited	2243681	20680-00200, NAIROBI
22	Sanlam Life Insurance Limited	2781000	44041-00100, NAIROBI
23	Sapon Insurance Brokers Limited	6007324	47628-00100, NAIROBI
24	Sedgwick Kenya Insurance Brokers Ltd.	2723088	40709-00100, NAIROBI
25	Takaful Insurance of Africa Limited	2725134	1811-00100, NAIROBI
26	The Jubilee Insurance Company of Kenya Limited	3281000	30376-00100, NAIROBI
27	The Kenyan Alliance Insurance Company Limited	2227723	30170-00100, NAIROBI
28	The Monarch Insurance Company Limited	4292000	44003-00100, NAIROBI
29	UAP Life Assurance Limited	2850000	23842-00100, NAIROBI
30	Zamara Actuaries Administrators & Consultants Limited	4969000	52439-00200, NAIROBI
31	Zimele Asset Management Company Limited	2246273	76528-00508, NAIROBI

	CUSTODIANS	TELEPHONE	POSTAL ADDRESS
1	Bank of Africa Kenya Limited	3275000	69562-00400, NAIROBI
2	Equity Bank (Kenya) Limited	2262000	75104-00200, NAIROBI
3	I & M Bank Limited	3221000	30238-00100, NAIROBI
4	KCB Bank Kenya Limited	3270000	30664-00100, NAIROBI
5	National Bank of Kenya Limited	253275	72866-00200, NAIROBI
6	NIC Bank Kenya PLC	2888000	44599-00100, NAIROBI
7	Prime Bank Limited	4203000	43825-00100, NAIROBI
8	SBM Bank (Kenya) Limited	0703074037	34886-00100, NAIROBI
9	Stanbic Bank Kenya Limited	3638000	72833-00200, NAIROBI
10	Standard Chartered Bank Kenya Limited	3293000	30003-00100, NAIROBI
11	The Co-operative Bank of Kenya Limited	3276149	48231-00100, NAIROBI

	MANAGERS	TELEPHONE	POSTAL ADDRESS
1	African Alliance Kenya Investment Bank Limited	2762000	27639-00506, NAIROBI
2	Allan Gray Kenya Limited	20 5147016	3946-00619, NAIROBI
3	Alpha Africa Asset Managers Limited	2595448	34530-00100, NAIROBI
4	Altree Capital Kenya Limited	20 7605650	13442-00800, NAIROBI
5	Amana Capital Limited	2351738	9480-00100, NAIROBI
6	Apollo Asset Management Company Limited	3641000	30389-00100, NAIROBI
7	Britam Asset Managers Kenya Limited	2833000	30375-00100, NAIROBI
8	CBA Capital Limited	2884444	30437-00100, NAIROBI
9	CIC Asset Management Limited	2823000	59485-00200, NAIROBI
10	Co-op Trust Investment Services Limited	3276000	48231-00100, NAIROBI
11	Cytonn Asset Managers Limited	20 3929000	20695-00200, NAIROBI
12	Dry Associates Limited	4450520	684-00606, NAIROBI
13	Fusion Investment Management Limited	2738460	47538-00100, NAIROBI
14	Genafrica Asset Managers Limited	2323343	79217-00200, NAIROBI
15	Genghis Capital Limited	0709185000	9959-00100, NAIROBI
16	ICEA Lion Asset Management Limited	2221652	46143-00100, NAIROBI
17	Kenindia Asset Management Company Limited	316099	44372-00100, NAIROBI
18	Madison Asset Management Services Limited	2864502	20092-00100, NAIROBI
19	Nabo Capital Limited	2286000	10518-00100, NAIROBI
20	Natbank Trustees and Investment Services Ltd	2828356	72866-00200, NAIROBI
21	Old Mutual Investment Group Limited	2829000	11589-00400, NAIROBI
22	Sanlam Investments East Africa Limited	4967000	67262-00200, NAIROBI
23	Stanlib Kenya Limited	3268508	30550-00100, NAIROBI
24	Zimele Asset Management Company Limited	2246273	76528-00508, NAIROBI

RBA Welcomes Move to Boost Preservation of Retirement Savings

NZOMO MUTUKU

The Cabinet Secretary, National Treasury and Planning through Legal Notices Number 87 and 88 published on June 17, 2019 amended the Retirement Benefits Umbrella and Occupational Regulations to further extend preservation of retirement benefits to include 100 percent of employer contribution. Previously scheme members could access 100 percent of benefits from employee contributions and 50 percent of benefits from employer contribution in the event of leaving service of an employer before retirement age. From June 17, 2019 scheme members can still access 100 percent of employee contribution but none of the benefit from employer contribution.

The existing exemptions to this rule for early retirement, emigration and medical grounds however still remain. Similarly, members can still use part of their accumulated benefits to secure a mortgage to purchase a house in accordance with the Retirement Benefits (Mortgage) Regulations. For the preserved benefits, which will continue to be invested and accumulate interest, members have the option to retain them in the scheme of the previous employer or transfer them to another Occupational, Umbrella or Individual scheme of their choice.

A number of recent studies which have been widely publicized in the media (see Business Daily Newspaper of April 1, 2019 "Pension Puzzles that need urgent attention in Kenya" have found pension adequacy to be the biggest challenge in Kenya's pension system. The quoted study found the pension replacement rate in Kenya to be on average only 34 percent against an ideal target of 75 percent in terms of pension income as a proportion of pre-retirement income. This is in line with findings from earlier studies by the Authority.

> "From June 17, 2019 scheme members can still access 100 percent of employee contribution but none of the benefit from employer contribution."

The primary cause of this low pension adequacy in Kenya was traced to frequent access to the benefits before retirement with 95 percent of individuals who leave employment opting not to preserve their benefits but taking out the maximum available under legislation in cash. This was likened to "going on a long distance journey and emptying the fuel tank at every stop."

The main pillars of a successful pension industry are security, sustainability, inclusivity and adequacy. Security and sustainability of the system was established by the Retirement Benefits Act which put in place a secure funded system with strong checks and balance. Recent efforts have seen pension coverage in Kenya increase from 12 percent to 20 percent of the labour force. In addition, the Authority recently launched a new Strategic Plan with a focus on addressing inclusivity by focusing on increasing pension coverage in the Informal Sector. The Cabinet Secretary has now moved to address the remaining pillar of pension adequacy.

Mr. Nzomo Mutuku, RBA CEO

Low pension adequacy points to a worsening of old age poverty with huge social implications in a country without strong social security systems and where urbanisation has seen the disintegration of traditional systems that cared for the old. The recent amendments by the Cabinet Secretary will thus help secure a brighter retirement for members of retirement benefits schemes in Kenya.

Nzomo Mutuku, MBS is the Chief Executive Officer, Retirement Benefits Authority

RBA'S MANDATE MISSION & VISION

OUR MISSION

"To proactively promote savings for retirement in Kenya through safeguarding, supervising and facilitating the development of the retirement benefits sector."

OUR VISION

"An inclusive, secure and growing retirement benefits sector."

MANDATE

REGULATE AND SUPERVISE the establishment and management of retirement benefits schemes;

PROTECT the interests of members and sponsors of retirement benefits sector;

PROMOTE the development of the retirement benefits sector;

ADVICE the Cabinet Secretary, National Treasury on the national policy to be followed with regard to retirement benefits industry;

IMPLEMENT all govrnment policies relating to the industry.

ADVERTISING RATES FOR PENSIONER MAGAZINE

Space	Cost (Ksh.)
Main Cover/ Cover Page	400,00
Back Page Cover	280,000
Centre Spread	250,000
Front/Back Inside Cover	200,000
Full Page	175,000
Half Page	95,000
Quarter Page	70,000

RBA BANK TRANSFER DETAILS

CURRENCY	Kenya Shillings
ACCOUNT NAME	Retirement Benefits Authority No:
BANK NAME	Kenya Commercial Bank Limited
BRANCH	Milimani
BRANCH CODE	46
ACCOUNT NUMBER	1103275119
SWIFT CODE	Kcblkenx
BANK ADDRESS	NSSF Building, Ground Floor
	P.o. Box 69695 - Nairobi

The magazine shall be published twice yearly with a pdf copy posted on our website and shared widely via our social media platforms

The editions shall be published in January and July every year.

All adverticements and articles for January edition should be received by November 15.

All Advertisement and articles for July edition should be receieved by June 15

"Retirement is not an end, but rather a new begining"
George McHenry

Retirement Benefits Authority
safeguarding your retirement benefits

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