Retirement Benefits Authority
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THE PENSIONER

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RBA Unveils New Curriculum to Drive Good Governance in Pension Schemes

RBA is now ISO 9001:2015 certified

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Word from the Editor

It is my pleasure to present to you the third edition of the PENSIONER MAGAZINE.

Kenya's retirement benefits industry has caught the attention of regional and global partners.

Recently, the country was appointed to chair the newly created Africa Pension Supervisors Forum.

This happened at the culmination of the inaugural two-day Africa Pension Supervisors Conference in Nairobi hosted by Kenya's Retirement Benefits Authority which also saw Nigeria appointed to deputise Kenya with South Africa, Rwanda and Zambia appointed as executive members.

In effect, the Retirement Benefits Authority CEO Nzomo Mutuku shall chair the Interim Executive Committee of the Africa Pension Supervisors Forum encompassing CEOs of Pension Supervisors across member African countries.

The interim team, which will run for two years from January 2019 to December 2021, will come up with a legal framework on how the secretariat shall run in collaboration with International Organisation of Pension Supervisors (IOPS).

The Authority was also elected to the Executive Committee of the International Organisation of Pension Supervisors (IOPS).

The announcement of RBA's election was made during the IOPS Annual General Meeting (AGM) held on Wednesday November 7, 2019, Tirana, Albania.

As a member of the IOPS Executive Committee for the next two years, the RBA will play a key role in guiding effective supervision of private pension systems across the world thus enhancing Kenya's role in global thought leadership.

This is a clear indication that Kenya is a key partner in regional and global circles on pension issues.

We have also seen increased appetite for pension products customised for the informal sector. The good news is that service providers have started

responding to quench this thirst with the recent unveiling of micro pension products aimed at extending coverage to the informal sector.

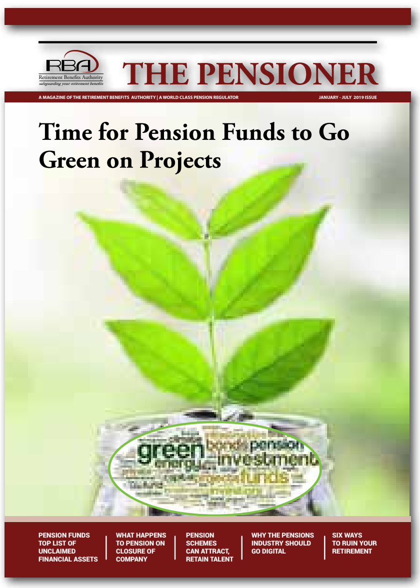
Read on to find out more on these products.

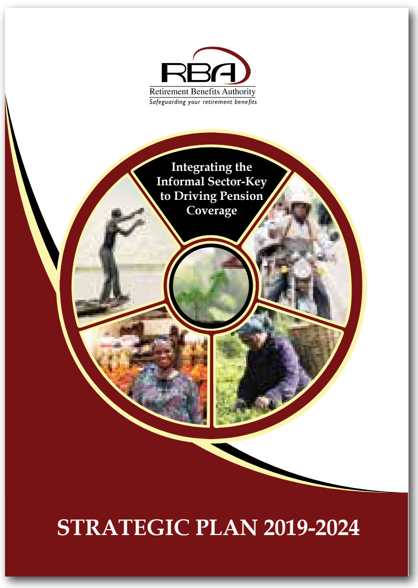
In this edition, you will also find commentaries from industry experts on pertinent issues in the pension sector.

We value your opinion so feel free to share your comments or articles via editorial@rba.go.ke and we shall feature some of them in our next issue.

Enjoy the reading and remember to prepare for your sunset years.

James Ratemo, jratemo@rba.go.ke





Word from the C.E.O.

Launch of Micro Pension products, a boost to RBA's foray into the informal sector

The wind of change is blowing across the pension industry with recent unveiling of micro pension products aimed at extending coverage to the informal sector.

Individual pension providers: Octagon, NSSF and Zamara have all recently launched products targeted at the informal sector. This is a boost to the Retirement Benefits Authority (RBA) Strategic Plan 2019 -2024 which aims to increase coverage from the current 22% to 30% and double asset base to Kshs. 1.324 trillion by 2024.

I am delighted that we have started the implementation of the strategic plan on a high note with great support from the industry players.

Our focus is to extend pension coverage to where most of Kenyan workers are, the informal sector, almost all of whom are not covered by existing pension arrangements.

> "RBA targets Sh 2.4 trillion asset base by 2024 with new Strategic Plan, buoyed by inroads to the informal sector"

I am sure that when we get pension penetration in the informal sector right, we will definitely grow pension coverage.

Research has shown that the main reasons for the low uptake of pension among Kenyans is that the pension services are designed for workers in the formal workplace who are less than 20 % of the working population.

We must take into consideration that 80 % of Kenyan employees work in the informal sector where they lack proper channels for contributing to retirement schemes.

By enhancing Pension Coverage in the Informal Sector, therefore, we shall be reaching out to those Kenyans who are outside the current pension schemes tentacles. This will be realised by enhancing need-based outreach programmes, promoting the development of pension products that specifically target the informal sector.

Stakeholders are, therefore encouraged, to keep developing innovative ways of reaching out to the informal sector workers who are often neglected in the current pension arrangements.

Today, the retirement benefits sector commands an industry asset base of over Kshs. 1.2 Trillion, nearly 14% of our GDP and it is growing.

These resources are poised to contribute significantly towards financing the "Big Four" development initiatives, which aim to raise the share of manufacturing sector to 15 % of GDP; ensure all citizens enjoy food and nutrition security; work towards achieving universal health coverage and provide affordable housing.

This is achievable through deepened financial markets to which pension funds contribute significantly.

We note with appreciation that the Government has begun to take action on State Corporations that fail to remit pension deductions to their pension schemes in a timely manner. This was communicated to all state corporations through a circular issued on November 11, 2019 from the Head of the Public Service. Earlier, through, the Finance Act 2018, the National Treasury introduced penalties and other sanctions against employers who fail to remit contributions on time besides requiring corporations to give top priority to any pension contribution arrears before their budget is approved.

As RBA ,we are committed to promote savings for retirement in Kenya through safeguarding, supervising and facilitating the development of the retirement benefits sector. The 2019-2024 Strategic Plan will greatly help us create an inclusive, secure and growing retirement benefits sector.

In this issue, you find the latest industry statistics and opinion from pension sector experts. Enjoy the reading and feel free to share you feedback.

Nzomo Mutuku, MBS, Chief Executive Officer, Retirement Benefits Authority
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Eco Friendly Housing Offers a Sustainable Window for Pension Funds

BY NZOMO MUTUKU, MBS

Housing remains a top focus area for governments and development agencies. The ever-increasing global population means more people will need homes. The unrelenting wave of rural-urban migration, coupled with rising unemployment, underlines the need for enhanced public-private sector partnerships in designing lasting solutions for the housing challenge.

The United Nations Development Programme estimates that urban areas occupy 3 percent of land globally, yet account for 60 to 80 percent of energy consumption and 70 percent of carbon emissions. According to the Institute of Economic Affairs' Kenya Urban Areas Performance Report 2017, 27 % of the population in Kenya is concentrated in urban areas. The percentage is projected to double by the year 2050; this trend calls for timely sustainable interventions.

It is, thus encouraging that the Government has considered housing as a key development agenda. In the 2019/2020 budget, for instance, the Government has allocatted Kshs. 11.4 billion to affordable housing, besides injecting Kshs. 5 billion to the National Housing Development Fund under the Big Four Agenda.

In the scheme, which accommodates low-income households, the Government aims to complete 500,000 units by the year 2022, in what will be an impressive stride towards enabling Kenya to achieve the Vision 2030 aspiration, as well as, aligning the country to the Sustainable Development Goals (SDGs).

Notably, preventing environmental degradation is among the overriding principles of sustainability emphasised in all the SDGs, making a case for encouraging forward-looking investments in housing. In particular, the SDG on Sustainable Cities and Communities observes that sustainable development cannot be achieved without proper management of buildings and urban spaces.

Previously, most real estate developers were not alive to environmental concerns. This sentiment created a sustainability challenge that policymakers in more developed markets have sought to address. In 2018, researchers at the University College of London established that on average, carbon emissions from air-conditioned offices were 60 % higher than those from offices with natural or mechanical ventilation. As such, glass-walled architecture which characterises the sky scrapper landscape of many cities instantly become a spectacle – for the wrong reasons.

With United Nation's Intergovernmental Panel on Climate Change warning that global temperatures could heat up by at least 1.5 degrees between 2030 and 2052, green investments are gaining traction as a plausible counter to extreme weather conditions that continue to condense out of greenhouse emissions.

Policymakers in the United Kingdom have already pronounced their views on the ominous rising building-related emissions, mandating that new buildings be net zero carbon by 2030 and existing ones by 2050. Such international regulations are a pointer of impending regulations and policy interventions we should expect in the property sector here in Kenya.

In fact, we already are seeing glimpses of how environmental concerns have derailed real estate investors. The demolitions by the National Environment Management Authority (NEMA) last year of buildings that encroached on riparian reserves demonstrated the business case for environmentally and socially-responsible development.

Thankfully, property developers have laid the foundation for more green buildings. We have seen the Green Building Society promote Edge, LEED and other eco-friendly certifications. We have also seen properties including

Dunhill Towers, Standard Chartered Headquarters, Garden City and Strathmore University come up. Other property development and management companies, such as Acorn Holdings, Ltd. plan to introduce affordable green housing units. These efforts signal a developing pipeline for environmentally-responsible assets.

If successful, Acorn Holdings' plans to raise capital for the construction of purpose-built student accommodation via a restricted public offer medium term note that is certified as a green structure would mark a regional milestone. Acorn's Kshs. 5 billion note backed by GuarantCo and Helios and certified by Climate Bonds Initiative in conjunction with the Green Bonds Program – Kenya is a good example of an investment-grade opportunity that is sustainable, innovative and anticipated to deliver generally higher yields to institutional investors.

Indeed, the real estate and property development sector presents numerous opportunities. Amid the growth, schemes are expected to venture into alternative assets classes -- given the broadening of the allowable categories. Other examples of emerging asset classes, pension funds should look at includes Real Estate Investment Trusts (REITs), a category that was barely considered a few years ago, and now stands at over 1 billion shillings.

The Retirements Benefits Authority approximates that 20 % or about Kshs. 200 billion of pensions' investment falls within the real estate and property development sector. This makes a compelling case for trustees to revise their policies to introduce green mandates to ensure these investments deliver sustainable returns. By investing in certified green buildings, including eco-friendly affordable housing, pension funds will forge viable investment options that cushion employees in their retirement.

Nzomo Mutuku, MBS, is the Chief Executive of the Retirement Benefits Authority. nmutuku@rba.go.ke

RBA Appointed Executive Committee Member of IOPS

BY RBA EDITORIAL TEAM

The Retirement Benefits Authority (RBA) was elected to the Executive Committee of the International Organisation of Pension Supervisors (IOPS).

As a member of the IOPS Executive Committee for the next two years, the RBA will play a key role in guiding effective supervision of private pension systems across the world thus enhancing Kenya's role in global thought leadership.

The announcement of RBA's election was made during the IOPS Annual General Meeting (AGM) held in November 7, 2019 in Tirana, Albania.

The AGM was held concurrent with the Global Forum on Private Pensions which was jointly organised by the Organisation for Economic Co-operation and Development (OECD), IOPS and the Albanian Financial Supervisory Authority.

High-level officials from regulatory and supervisory authorities, leading experts from the pension industry and research institutes from both OECD and IOPS countries attended. During the forum the RBA CEO Mr. Nzomo Mutuku made a presentation on "Pension Funds and Capital Markets- the egg chicken conundrum"

The appointment of RBA to the IOPS Executive Committee comes barely two months after RBA was appointed chair of the newly created Africa Pension Supervisors Forum (APSF), encompassing Pension Supervisors of African countries.

Mr Mutuku, thanked IOPS members for the appointment saying the Authority is now well positioned to steer pension industry growth across Africa.

Kenya's Pension Industry is among the fastest growing in Africa with an asset base of over Kshs. 1.2trillion by June 2019. Many countries have been benchmarking with Kenya on pension sector innovation and management.

Formed in July 2004, the IOPS was initiated by OECD and then International Network of Pension Regulators and Supervisors (INPRS). RBA Kenya was one of the founder members of the IOPS.

The major goal of the IOPS is to improve the quality and effectiveness of the supervision of private pension systems throughout the world.

The organisation cooperates closely with other international organisations involved in pension supervision policy development and dialogue, including OECD, World Bank and IMF.

RBA CEO, Nzomo Mutuku

Kenya Appointed Chair of Interim Africa Pension Supervisors Forum

BY RBA EDITORIAL TEAM

Kenya's leading role in Africa's pension industry remains undisputed.

The country was recently appointed to chair the newly created Africa Pension Supervisors Forum. Nigeria shall deputise Kenya with South Africa, Rwanda and Zambia being executive members.

In effect, the Retirement Benefits Authority CEO Nzomo Mutuku shall chair the Interim Executive Committee of the Africa Pension Supervisors Forum encompassing CEOs of Pension Supervisors across member African countries.

"The interim team will run for two years from January 2019 to December 2021. When the interim committee hands over to a new committee. The committee will come up with a legal framework on how the secretariat shall run in collaboration with International Organisation of Pension Supervisors (IOPS)," said Mr. Nzomo Mutuku.

The next Africa Pension Supervisors Forum shall be held in Rwanda.

This was agreed at the inaugural two-day Africa Pension Supervisors Conference in Nairobi hosted by Kenya's Retirement Benefits Authority.

The newly created forum aims to steer development of the pension sector in Africa.

The conference attracted delegates from eight African countries including Kenya, South Africa, Nigeria, Zambia, Uganda, South Sudan, Rwanda, Burundi. Other delegates came from Ireland, India and France.

"We agreed that an African body independent of IOPS which has only 15 African members, could be useful in encouraging other African countries to join IOPS... we shall benchmark on IOPS to set standards and encourage other none, members to adopt those standards,"said Mr. Mutuku.

"Given the different levels of development across the African continent it was agreed that the Africa Pension Supervisors platform would benefit others who may not be able to join IOPS,"he added.

Mr Mutuku thanked the CEOs for appointing Kenya to chairing, the interim committee saying "Kenya is looking forward to deliver something they can be proud of in the next two years."

More About The Pension Supervisors Forum and How it Aims to Spur Industry Growth

BY LEONARD AUDI

This was the inaugural Africa Pension Supervisors conference to be hosted in the African continent aimed at discussing and coming up with a more regular platform for collaboration, co-operation and exchange of information and ideas to better supervise, regulate and grow the pensions sector in Africa. It was the first meeting of its kind that provided a platform for policy dialogue on pension supervision and exchange of information between members.

The conference brought together pension regulators and supervisors from across Africa including; South African, Nigeria, Namibia, Zambia, Rwanda, Burundi, South Sudan and Uganda. It was co-sponsored by Retirement Benefits Authority (RBA) and Financial Sector Deepening Africa (FSD-A). The conference facilitators comprised of speakers from International Organisation for Pension Supervisors (IOPS), Pension Supervisory bodies from the continent, professionals and pension sector practitioners knowledgeable and experienced in the pension subject matter.

This conference was organised as a key step towards the formation of an African pension supervisor's forum which was mooted by African countries who are members of IOPS during their side meetings at the IOPS meetings. IOPS being a global organisation for pension regulators and supervisors, it focuses on improving the quality and effectiveness of the supervision of private pension systems throughout the world, thereby enhancing their development and operational efficiency, and allowing for the provision of a secure source of retirement income in as many countries as possible. As such, the focus of IOPS is global thus presenting imitations in terms of adequate time at IOPS meetings to discuss all issues pertaining to various member countries in detail.

Consequently, African member countries felt that most of their issues may not be adequately discussed during IOPS meetings since they are not pertinent to all members of IOPS. Also, common challenges of the continent are not largely experienced by other pension jurisdictions outside the continent. The foregoing scenario ignited the idea that the continent needs a forum where they could discuss such issues and learn from their different experiences and perspectives useful for addressing their respective challenges. Such discourse for the Continent was long overdue as other regions where IOPS draws its membership already enjoy such discourses like is the case Latin American membership in IOPS.

Aside from the formation of the African supervisor's forum, there were also discussions on pertinent issues affecting the pension sector across Africa such as, investment of pension funds, pension coverage and technology in pensions. Under investment of pension funds, the speakers presented on alternatives investment with particular emphasis on sustainable investment of pension assets while taking into account environmental concerns. One of the presenters for this session was Dr. Evans Osano from FSD-Africa which is an organisation working on increasing financial inclusion in Africa. He alluded to the issue of investment in green bonds as a potential alternative investment asset class for pension funds investment and portfolio diversification. Dr. Osano went further to state that Investment in green bonds alongside investments in other social bonds would act as a mitigating factor in reducing the devastating effects of climate change. He cautioned that there would be an erosion of about, 2.4 Trillion $ of pension assets as a result of climate change. This is about 10% of global pension assets and as such, climate change is a problem sovereign states need to pay attention to.

The other area discussed during the conference was pension coverage which was acknowledged to be low in Africa owing to the poor culture of savings amongst the population. The inhibitors of pension coverage highlighted by the presenters include; fragmented pension ecosystems, disaggregated Demand, low ICT capacity and lack of experience, and myopia, access and retirement Illiteracy. Nonetheless, there were some good success stories shared on the progress some African countries were making in extending pension coverage majorly targeting the informal sector where coverage is lowest when compared to formal sector. One such success stories shared was that of Rwanda's Ejoheza Scheme designed mainly for the informal sector with the government providing incentives through matching member contribution up to 100 %, providing health insurance coverage and death benefits. The scheme was reported to have a total of 100,000 contributors.

Technology was seen to be at the centre stage of extending pension coverage especially when targeting the informal sector workers and the youth also referred to as "millennials". The presenters during this session acknowledge the strides made by some African countries in mobile technology with Kenya's Mpesa being largely mentioned. Equally, there are a number of emerging technologies which pension funds can leverage on in pursuit of extending pension coverage. Some of these technologies include; Block chain technology, Cloud computing, Internet of Things (IoT), and Artificial Intelligence.

The conference was capped with a meeting of the CEOs of various pension regulators in Africa represented. The meeting occurred on the side-lines of the conference to deliberate on pertinent issues affecting pension sector in Africa. A number of notable outcomes were unanimously agreed upon during the meeting key amongst them being the formation of the African Pension Regulators Forum that would be formalised in one or two years. The principal members of the forum were to be drawn from African countries who are members of IOPS. Further, the CEOs agreed on an interim committee to be formed with a structure consisting of a chairperson, vice chairperson, an executive committee and a secretariat. The interim office bearers included Kenya as the Chair, Nigeria the vice-chair and executive members drawn from South Africa, Nigeria, Rwanda and Zambia. The term of office of the interim committee was agreed to be two years (2019-2021) within which they are to work closely with IOPS to appoint a secretariat, agree on funding modalities, come up with organisational and Legal structure, and draft a constitution. The interim office would be expected to organise subsequent conferences, prepare conference reports and organise side meetings alongside IOPS AGM.

Finally, the CEOs agreed that the secretariat be supported by IOPS and be housed and managed by the IOPS office in Mauritius for one or two years until the organisation is fully formed. Rwanda volunteered to host the next conference on a date to be communicated at a later stage.

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

Left: A panel discussion during the forum. Right: A group photo for forum participants

RBA Open Day set for Kisumu

By RBA Editorial Team

The Retirement Benefits Authority shall hold a three-day open day in Kisumu to educate members of the public on the need to save for retirement. This is part of the Authority's strategy to expand pension coverage to the informal sector. It is expected that all service providers in the pension sector shall be under one roof for the three days educating and enrolling members into individual pension schemes.

Besides the open day, the Authority has been criss-crossing markets across counties educating members of the informal sector on the need to save towards their retirement.

Individual pension providers: Octagon, NSSF and Zamara have all recently launched products targeted at the informal sector. This is a boost to the Retirement Benefits Authority (RBA) Strategic Plan 2019 -2024 which aims to increase coverage from the current 20% to 30% and double asset base to Kshs. 2.4 trillion by 2024.

"By enhancing Pension Coverage in the Informal Sector, therefore, we shall be reaching out to those Kenyans who are outside the current pension schemes tentacles. This will be realised by enhancing need-based outreach programmes, promoting the development of pension products that specifically target the informal sector," says RBA CEO, Mutuku Nzomo.

Mr. Nzomo urges all stakeholders to keep developing innovative ways of reaching out to the informal sector workers who are often neglected in the current pension arrangements. The dates for the event will be communicated in due course.

Caroline Wanjala, RBA Deputy Manager Supervision , registers a participant during the Bungoma informal sector sensitisation forum.

Faith Muindi (Second left) RBA communication officer hands over market cleaning equipment to Bungoma County officials during a recent CSR activity.

RBA mulls over new savings plan for informal sector

BY MOSES MICHIRA

Retirement Benefits Authority (RBA) is mulling over a new savings product that should help create a pension pool for the informal sector after stalling of the Mbao Pension plan.

Among the immediate interventions is to bundle up insurance and credit to the retirement plan after it became clear that non-salaried workers were inconsistent in saving.

RBA Chief Executive Nzomo Mutuku said a product with a broader offering than just savings would enable informal sector players to borrow against what they have set aside for old age.

"We want to have a single package that includes a funeral package that we think would attract the informal sector, which is the biggest employer," he said at the launch of RBA's Strategic Plan that runs until 2024.

Such a product, it is anticipated, would allow the unsalaried workers to keep saving with the assurance that the same kitty would serve as collateral should they need to borrow in case of unforeseen situations.

Mr Mutuku said the uptake of the Mbao Pension plan, structured to allow informal workers to keep aside at least Kshs. 20 a day, has stunted at just about 100,000 members.

Even with the rather low uptake for the individual scheme launched about a decade ago, the savings have been hugely erratic.

"One reason why we see the inconsistency is that these people do not have a regular income, which is why we are planning the new product," Mutuku said.

Source: THE STANDARD

Focus on the Informal Sector

RBA CEO Nzomo Mutuku (left)paying courtesy call to Bungoma County Deputy Governor Ngome Kibanani (right). RBA was recently in Bungoma sensitizing members of the informal sector on need to save for retirement.

Faith Muindi, (second right) RBA Communication officer hands over market cleaning equipment to officials in Bungoma County market in a recent CSR activity. The Authority cleans markets as part of its Corporate Social responsibility.

Two women who received aprons from RBA. Aprons are part of the items RBA uses to reach out to informal sector workers with educative messages.

RBA Communication officer Faith Muindi (right) with a trader (left) in Bungoma County market. RBA criss crosses markets across counties to sensitise members of the informal sector on the ABCs of saving for retirement.

Minimising risks, key to growth in the pension sector - Financial Sector Stability Report reveals

By James Ratemo, jratemo@rba.go.ke
Twitter: @JamesRatemo

The pension sector was resilient in 2018 despite a number of risks, the latest Financial Sector Stability Report for Kenya reveals.

The report, released on during the annual Joint Financial Sector Regulators Forum in Malindi, shows that pensions industry assets have grown from 696 billion in 2013 to Kshs. 1.2 trillion in December 2018.

The growth is attributable to prudent management and investment of scheme funds, and the reform initiatives targeting growing pension savings for workers in the informal and formal sectors.

"Pension coverage however, remained at 20.01% in 2018, although better than 18.6% in 2017.The industry assets were mainly in government securities and state-owned enterprises, property and equities," reads the report in part.

Overall, the report indicates, global and domestic economic recovery, robust regulatory frameworks and improving macroeconomic environment minimised risks to the financial sector, hence stability and resilience recorded in 2018.

However, the report shows that Kenya's financial sector is vulnerable to fragility in the global and domestic economies emanating from financial markets uncertainties; trade and geopolitical tensions; corruption, money laundering and financing of terrorism; and rapid adoption of financial technology and innovations.

However, sustained recovery in global and domestic economies increased consolidation through mergers and acquisitions and leveraging on financial technology is expected to buttress the sector's stability and growth.

Despite the pension sub-sector growing, the faster growth in pension liabilities relative to assets as well as increasing life expectancy has elevated funding risks. In the Defined Contribution schemes, unremitted contributions have increased due to poor economic performance and the insufficient funding of quasi government schemes.

Speaking at the forum, RBA CEO Mr. Mutuku Nzomo said the Authority is cognizant of these risks and has, therefore, revised the risk toolkit to effectively measure risks and adopt measures to mitigate risks unique to pension funds.

Mr Mutuku said the pension industry has been relatively stable with the overall risk score at 3.07 against the baseline of 3.22 in 2018.

"The risk index was computed from a revised risk assessment toolkit. It is below the target for the year set at 2.89, mainly because governance parameters have not been included in the toolkit due to delayed gazettement of the governance guidelines in October 2018. The overall risk score is, therefore, expected to improve," explained Mr. Mutuku.

However, the pension industry continues to face Investment Risks given high exposure to government securities and quoted equities, which are vulnerable to interest rate and market risks. Similarly, schemes, which have invested in corporate bonds and fixed deposit, face interest rate risks and solvency.

Schemes, which have invested in immovable property mainly buildings and land, face liquidity risks especially in cases where the retirees' pensions are paid out from the scheme. Schemes also face inflation risk, currency (exchange rate) risk, and credit or counter party risk.

The industry has also noted emerging governance risks, due to conflict of interest by either service providers, the trustees or the sponsor. The RBA has developed guidelines on the scope of investment, governance and treating customer fairly. Funding risks have also emerged due to increasing liabilities with inadequate assets.

This is compounded by the increasing life expectancy. In the Defined Contribution schemes, unremitted contributions have increased due to poor economic performance and the insufficient funding of quasi government schemes.

To address the identified risks, RBA has initiated policy measures consistent with each risk type and prevalence. To mitigate investment risks, RBA amended investment guidelines to broaden the asset classes for schemes, brining on board; private equity, real estate investment trusts and derivatives.

Schemes will also be allowed to invest in infrastructure projects under the PPP framework with dual goal of achieving the government developmental agenda and also ensuring members achieve a reasonable rate of return.

To deal with funding risks arising from unremitted contributions, RBA Act was amended to enable RBA intervene directly against Sponsors who fail to remit employee deductions and contributions to schemes as and when they become due.

To manage conflicts of interest and improve scheme governance, regulation 8 of the principal Regulations was amended to bar Board of Trustees from providing professional services to the schemes but seek independent professional services in the management of the scheme.

Similarly, fund managers and administrators amended section 34 of the RBA Act to penalise late submission of audited accounts, investment returns and contribution returns.

The pension industry is expected to perform better in 2019 on favourable economic growth that would support better return on stocks and properties.

Kenya's financial sector consists of deposit taking institutions (commercial banks and mortgage finance companies), microfinance banks and deposit taking Savings and Credit Co-operatives (Saccos), non-deposit taking institutions (insurance, pensions, capital markets, and Development Finance Institutions (DFIs)) and financial markets infrastructure providers.

The sector is regulated by; the Central Bank of Kenya (CBK); the Sacco Societies Regulatory Authority (SASRA); Insurance Regulatory Authority (IRA); Retirement Benefits Authority (RBA); Capital Markets Authority (CMA) and Government Ministries.

RBA CEO Nzomo Mutuku

Left to Right: Chairman Association of Retirement Benefits Schemes Simon Nyakundi, RBA CEO Nzomo Mutuku, CEO College of Insurance Tom Kajwang, Kenya Railways Pension Scheme Chairlady Hellen Wamuiga Karu and former RBA CEO Edward Odundo display copies of the new curriculum.

RBA unveils a new trustee development curriculum to drive good governance in pension schemes

BY JANE ONYANGO

The Retirement Benefits Authority has rolled out a revised Trustees Development Programme-Kenya (TDPK) envisioned to steer the pension industry to greater heights.

The revised curriculum now requires trustees of retirement benefits schemes and directors of trust corporations acting as trustees of retirement benefits schemes, to undertake a mandatory five – day training and be certified. The course is part of RBA's trustee vetting process targeted to improve service delivery in the sector.

The Retirement Benefits Act, 2008, mandates the Authority to: regulate and supervise the establishment and management of retirement benefits schemes, protect the interest of members and sponsors of retirement benefits schemes, promote the development of the Retirement Benefits industry, and to advise the Cabinet Secretary, National Treasury on the national retirement benefits policies, amongst other objectives.

Accordingly, the Authority in 2011, launched a Trustee Development Programme that was meant to equip trustees with the relevant knowledge and skills required to properly discharge their fiduciary duty in the management of pension funds. The old curriculum has been in place since then.

The review of the curriculum has been necessitated by the need to incorporate new pension regulations and guidelines as well as to help the industry adapt to emerging trends. The pension industry has over the years witnessed tremendous development and growth of the sector.

The Authority made the amendments in consultation with College of Insurance, Humber Centre for Pensions (Canada) and the Association of Retirement Benefits Schemes (ARBS).

Incoming trustees must now undertake the course within six months of appointment. The training is delivered by College of Insurance and run by the Association of Retirement Benefits Schemes, under the keen eye of RBA. This course is aimed to fully induct new trustees to ensure competence in running scheme affairs.

The course is divided into six modules; as follows: -

- **Module I:** Retirement Benefits Scheme Fundamentals – 6 hours.
- **Module I:** Retirement Benefits Scheme Fundamentals – 6 hours.
- **Module II:** Law Relating to Retirement Benefits Schemes– 6 hours.
- **Module III:** Trustees and Governance - 6 hours.
- **Module IV:** Retirement Benefits Scheme Funding - 3 hours.
- **Module V:** Retirement Benefits Scheme Investment - 3 hours.
- **Module VI:** Administration and Oversight - 6 hours

Choir members from college of insurance entertaining guest during the launch of the new curriculum.

The course will enhance the capacity of retirement benefit schemes to comply with and uphold all aspects of retirement benefits scheme management, in order to protect the interests of members and sponsors of schemes.

During the launch in October, RBA Chief Executive Officer Mr. Nzomo Mutuku noted that implementation of the curriculum would be instrumental to the growth and development of the retirement benefits sector.

"This programme has been designed to instill good governance in retirement benefit schemes through enacted obligations, controls and regulations," he said. "This together with proper supervision will promote efficiency and growth of the sector."

He termed the launch as momentous, pointing out the opportunities and challenges in the pensions industry, that could be explored by leveraging the new curriculum to improve service delivery.

The unit on governance seeks to impart knowledge under the Good Governance Guidelines enacted in 2018 to enable the trustees understand their fiduciary duties to members.

A key addition in the law is Section 5 (b) (a) which provides that incoming trustees seek approval of their remuneration from members of the schemes during Annual General Meetings, after every three years. This means members now have a say in the running of scheme activities a move set to promote transparency and accountability.

The board of trustees may also now appoint committees to facilitate their role by conducting detailed analysis of, and holding discussions on, specific areas of scheme operations. Recommended committees include investment committee especially for schemes investing in segregated funds, audit and risk-management committee, and administration and communications. These committees will be key in streamlining scheme standard operating procedures.

With a full - fledged curriculum in place, trustees will now have increased knowledge to manage their schemes and skills to avoid risks while safeguarding scheme funds or assets, and protecting the interest of members.

The Authority is optimistic that the new curriculum will enhance efficiency in running of scheme affairs.

Jane Onyango works at the Corporate Communications Department, RBA

RBA CEO Nzomo Mutuku (left) displays a copy the new curriculum during the launch. Looking on is Tom Kajwang, CEO College of Insurance.

RBA Chief Manager Market Conduct, Anne Mugo (right), shares a copy of the new curriculum with Tracy Kariuki.

Industry Briefs

Zamara Enters Micro-pension deal with firm

BY BRIAN NGUGI

Mr Sundeep Raichura, the Zamara CEO. FILE PHOTO | NMG

Pension fund administrator Zamara Group and Singapore-based tech firm pinBox Solutions have inked a deal to widen micro-pension coverage in Kenya.

The firms said the "ready-to-deploy model and a pensionTech platform" will enable Zamara establish an inclusive, digital micro-pension marketplace. Micro-pension arrangements are meant to insulate low-income earners against old-age poverty.

The pinBox model was first adopted by Rwanda for launching of its national-level government-sponsored EjoHeza micro-pension scheme in December 2019.

"PinBox is now working with an institutional consortium led by Kenya's leading pension administrator, and including some of Kenya's largest insurers, retail commercial banks and cooperatives to launch Africa's first, national-ID linked, and private sector driven national micro-pension scheme targeting Kenya's 15 million informal sector workers," said PinBox.

The target population includes domestic, youth, self-employed women and other non-salaried individuals.

This digital micro-pension programme was launched at the Afro-Asia FinTech Festival in Nairobi.

"The solution will provide a secure and affordable mechanism which any Kenyan citizen will be able to conveniently access simple and regulated pension and insurance solutions," said Zamara Group chief executive Sundeep Raichura.

Parul Seth Khanna, the director and co-founder of pinBox, said the micro-pension scheme will tap the country's 17 million informal sector workers.

"This is a very important first step for us as we march ahead in collaboration with governments, regulators and pension and financial inclusion stakeholders across Africa to help deliver secure and affordable retirement solutions to 500 million excluded non-salaried workers," Mr Khanna said.

More than 9.2 million people are expected to be above the age of 60 years and nearly 85 % of them will not get a pension, according to Zamara.

Source: BUSINESS DAILY

NSSF courts informal sector workers with M-Pesa contributions

BY PATRICK ALUSHULA

National Social Security Fund (NSSF) has launched a product that will see workers save for retirement with at least Kshs. 200 using Safaricom's M-Pesa platform.

The State-owned fund said the service will enable workers to conveniently make contributions and track their savings via mini-statements without having to visit NSSF offices.

NSSF board of trustees chairman Julius Karangi said the cashless platform will help savers, especially those with irregular flow of income secure their retirement.

"The platform is a fast and easy way to increase contributions through mobile phone and secure retirement.

"Kenya is among countries with highest dependency ratios and old age poverty is also rising," he said.

"In the Horn of Africa, Kenyans are contributing less per month for retirement. This speaks to poverty and high dependency ratios in retirement."

NSSF hopes that the platform will improve saving culture and also help the fund, which was founded in 1965, reach three million contributors from the current 2.7 million.

Payments through the mobile phone have been on the rise in Kenya.

Safaricom chief enterprise business officer Rita Okuthe said the platform will enable over 14 million Kenyans working in the informal sector to start contributing based on the amount and timing of their earnings.

"These employees deserve the same level of service like those in formal employment. We want to simplify the customer journey by allowing

NSSF board of trustees chairman Julius Karangi on March 4, 2019. FILE PHOTO | NMG

contributors to pay via phone. As a contributor, you can query how much you have saved," said Ms Okuthe.

Speaking at the same function, head of supervision at Retirement Benefits Authority Charles Macharia called on workers to increase their level of savings if they are to retire with adequate resources.

Source: BUSINESS DAILY

What you Need for Early Retirement

BY MARK WILLIE

Formal or informal sector, the option to retire will always be controlled by availability of primary resources which are time and money.

A person's gross income will also reduce considerably after retirement unless the person owns a business which does not require their involvement but which rakes in substantial revenue.

If one earns Kshs. 60,000 per month before retirement and receives Sh45,000 income upon retirement, this person's income replacement ratio is 75 %. The higher the expected income replacement ratio, the stronger the incentive to retire.

Kenya has a long way to realise a sustainable income replacement ratio for retirees. According to Retirement Benefits Authority (RBA), Kenya's income replacement ratio is only 34 % compared to 84 % in the developed economy and only relates to the 20 % workforce that is pensionable.

At 34 %, if one was earning Kshs. 60,000 per month before retirement, they will receive about Kshs. 20,000 income upon retirement.

The government is fully aware that only a fraction of the Kenya's workforce is saving up for the golden years and that pension contribution might not be sufficient to cater for their basic needs.

But even with this revelation, many Kenyans are still not equipping themselves with personal financial retirement planning, which later puts them to the state of financial insufficiency, poor feeding, family problems and behaviour disorders.

This arguably provides a more satisfactory reason why government in 2009 increased retirement age for civil servants to 60 at a time when retirement age should have been reduced to take care of the younger, bulging unemployed generation.

The reason given at the time was that there was need to ensure that skilled people remained in service longer.

On the contrary, in private sector world over, one ought to be in possession of highly unique skills and experience for them to be allowed to work at age 50. Today, Kenyans in their 60s are still applying for plump jobs and others offering to stay longer to the detriment of younger citizens.

In trickle-down economics, the wealthy are allowed to make as much money as possible under the assumption that it will trickle down to everyone else in society. However, when people stay in the workforce longer, a chain of a younger workforce is denied an opportunity to grow or to kick-start a career in order to boost their savings.

But since they are unable to grow their coffers, they are unable to save at all, let alone for retirement. According to a report by Census and Economic Information Centre (CEIC), Kenya's Gross Savings Rate reduced from 11.7 % in 2007 to 6.1 % in 2018.

CLEAR ESTIMATION

In the face of limited resources, choices can be made efficiently to ensure that individuals achieve their highest attainable level of financial stability in retirement. This makes retirees resistant to economic shocks and fit enough to smoothly fulfil basic functions. Thus, financial planning for retirement cannot be emphasised further upon.

A 2018 Retirement Confidence study conducted by Enwealth Financial Services and Strathmore University showed that only 1 in 7 Kenyans is confident that they will outlive their retirement savings and that individuals with a clear estimation of how much they need to retire are more confident and even willing to retire early. This points to early planning and knowing one's financial needs which inform whether individuals will need to retire early or work beyond age 60.

The ability to live comfortably during retirement years is largely within everyone's control. In the absence of money itself, time is the greatest resource for financial retirement planning.

Adequacy pillars of a successful pension is accumulation of retirement savings, which comes with accrued interest to early retirement age. Thus, the more years ahead of retirement one starts, the easier it will be to accumulate savings.

The longer one leaves money in their pension, the more compound interest it will generate and the larger the pot becomes. This is an incentive put in place by government as a poverty reduction strategy through limitation of access of the employer's contribution plus accrued interest to early retirement age.

Seen as a means to leap from poverty to widely shared prosperity and equity, pension is a low risk investment opportunity that every Kenyan should venture into. But if the saving culture remains dismally low as it currently is, those who are due to retire will continue to defy their retirement age in order to access their basic needs.

The writer is a business and development consulting officer at Enwealth Financial Services Limited

Octagon targets casual workers with mobile-based pension product

By John Mutua

Financial services provider Octagon Pension has launched a mobile-based savings plan as it eyes one million informal sector workers by August next year.

Octagon chief executive Godwin Simba said the product, dubbed Mobikeza, will allow individuals to save as little as Kshs. 1 through their mobile phones. The product also allows individuals to make withdrawals after 14 days.

"We are looking at increasing the number from the current 5,000 members to about one million in under 12 months and increase pension cover among Kenyans in the informal sector," Mr Simba said.

The informal sector has an estimated 15 million workers.

Individuals can access the savings platform through the USSD code *483*8000# or by downloading the App which is available on the Google Play Store and Apple Store.

This is the firm's second product tailored for the informal sector after its 'Mbao' pension plan launched in January 2012 that allows individuals to save Kshs. 20 per day towards their retirement.

Other pension plans including the National Social Security Fund allow M-Pesa contributions of at least Kshs. 200 in efforts to widen safety net coverage in the country.

Octagon's plan to deepen pension coverage comes months after industry regulator, Retirement Benefits Authority (RBA), said it targets to more than double pensions savings to Sh2.4 trillion in the next five years, riding on mobile phone-based products.

RBA is targeting at least 600,000 new pension contributors every year by reaching out to segmented groups riding on innovative solutions like mobile-based savings plans that offer convenience and flexibility.

Pension coverage currently stands at 20 % but the Treasury has in the past said that this is not sufficient relative to the size of Kenya's gross domestic product.

This article first appeared in the BUSINESS DAILY NEWSPAPER

Over 80% of retirees 'working to meet basic needs'

By Otiato Guguyu

More than 80 % of senior citizens work for basic items, raising questions about adequacy of pension payouts and coverage of retirement benefits.

The Kenya National Bureau of Statistics (KNBS) quarterly jobs report shows that 708,902 of 869,338 persons above the age of 60 were in active employment in December, representing 81.5 % of the senior citizens in the country.

Many of those working were doing so to meet basic needs. Another 40,296 persons above the age 50 were actively looking for jobs.

This points to a possible deepening of old age poverty, which in itself has significant social implications in a country where the traditional patterns of the young caring for the old are changing.

Analysts point out that the relative low number of Kenyans saving for pension and the value of payouts at retirement have compelled many retirees or those approaching the legal retirement age of 60 to continue working.

"Out of the 65,000 pensioners we surveyed we found that on average their pension was 34 percent of their incomes instead of the 75 to 80 % target, so if you were earning Kshs. 100,000 you are now getting Kshs. 34,000, which may explain why you have to work," said Sandeep Raichura, CEO of Zamara Group - a pension management company.

According to him, payout of retirement benefits in a lump sum instead of in monthly instalments forces many retirees to go into business or seek employment after spending their windfall.

"The biggest challenge is that most of our schemes are provident funds, where they give you a lump sum and that is it. Most people cannot handle this and they squander and misuse the money and in three years they have to come back and work," he said.

Kenya also suffers from a low pension coverage with more than 70 per cent of Kenyans retiring without a pension, save for the less than sufficient payout from the State-backed National Social Security Fund (NSSF).

The NSSF's monthly contributions stand at Kshs. 400 and the fund on average pay outs less than Kshs. 250,000 when a member retires.

"This can translate to Kshs. 5,000 a year for 30 years," Mr Raichura said in reference to NSSF payouts. "Even if you have the best fund manager who triples it, you will get Kshs. 450,000 in today's money. You simply can't retire with that."

Kenyans on average are living longer and the rank of the elderly poor is rising as the traditional social fabric yields to the forces of rapid urbanisation and changing social and filial trends. In the past, social security was not a bother to many Kenyans because there was a large extended family to fall back on in the rural areas, but as the social fabric changes and more people opt to retire in urban centres, the trend is increasingly becoming a headache to policymakers.

This is what prompted the State to start sending a monthly stipend of Kshs. 2,000 to those above 70 years to cushion them from old-age poverty.

Source: BUSINESS DAILY

Pension Schemes Administrators Want Debate on Senior Citizens

BY BRIAN NGUGI

Pension schemes administrators want a national conversation on a framework that takes care of senior citizens.

During the Association of Retirement Benefits Schemes (ARBS) AGM, stakeholders said enabling the elderly to lead decent lives could transform the country into an attractive investment destination for old-age related services.

"There are pension and lumpsum payments for senior citizens. Kenya has also introduced a revolutionary post-retirement medical scheme that eases the cost for families. We need to rethink old age and its perils," ARBS council member Jane Gitau said.

Ms Gitau added that studies should be done on the challenges faced by the elderly while creating avenues for them to continue serving the country.

"The elderly are experienced and could be consultants. But do we understand their needs, strengths and weaknesses that weigh down our economy?" she asked.

ARBS chairman Simon Nyakundi said the association is planning to hold a nationwide survey that would make Kenya understand its old people, their needs as well as generate data that could be used to create insurance products that cater for them.

"Our work is to cater for their well-being. This is a time-bomb since the majority of Kenyans are either informal or contractual workers who have no access to pension savings schemes," Mr Nyakundi said.

> "There are pension and
>
> lump sum payments for senior citizens. Kenya has also introduced a revolutionary post-retirement medical scheme that eases the cost for families. We need to rethink old age and its perils,
>
> - ARBS council member Jane Gitau said."

Ms Gitau said the authority is preparing a paper to submit to the government and non-state actors with a view to igniting debate that would look at creating commercially viable products that address old people's needs.

The government says 840,600 jobs were created last year, out of which 83.6 % or 762,000 were in the informal sector where no statutory contributions to pension schemes are made.

"Even the welfare kitty raised is not sustainable since Kenya runs on a shoe-string budget. The only solution is to force Kenyans to save money during their working life," Mr Nyakundi said.

He added that ARBS has realised that the Kshs. 2,000 to Kshs. 3,000 stipend given to the elderly cannot enable one, live decently, hence the need for a national conversation.

"It is urgent since Kenya's social fabric is not intact. Young people no longer support their parents," he said.

Mr Nyakundi said an ARBS pre-needs assessment survey found that most elderly people live in poverty.

"The government set aside Kshs. 9 billion for the welfare of Kenyans aged 70 years and above. What kind of meal can that buy? Can it pay for treatment? The ARBS knows that commercial products that support old-age decency need to be introduced from an informed point," he said.

Studies by Zamara Group and Enwealth Financial Services found that even Kenyans enjoying a pension can hardly support the lifestyles they had during their working days.

While a 75-80 % monthly replacement rate is recommended to enable individuals maintain the same standard of living in retirement, many have no incomes, just extra expenses that make their lives more miserable.

This article was first published in the DAILY NATION

Zamara launches low-cost retirement savings scheme for casuals

BY CHARLES MWANIKI

Zamara Group, which manages Kshs. 300 billion pension funds for 170,000 Kenyans, has introduced a low-cost retirement savings product for informal sector workers.

Chief executive Sandeep Raichura said its 23-year experience in the pensions business revealed an urgent need for a low-cost product that employers could initiate for their contract and casual employees.

"Our driver, domestic workers and casual employees at our workplaces should be encouraged to save for their old-age just as we do. Make them save as low as Sh300 to Kshs. 500 monthly into our Zamara Gift a' Pension plan that you can voluntarily top up via our mobile phone-based premium USSD number," he said.

Zamara's Gift a' Pension is the third product in the market after Octagon Africa's Mobikeza and National Social Security Fund's Habahaba, all voluntary savings schemes geared towards guaranteeing low-cadre workers a stress-free life in retirement.

Retirement Benefits Authority CEO Nzomo Mutuku said a conversation on voluntary savings must take place at all forums to stem a growing concern that Kenyans were living longer albeit in abject poverty.

"We urge Zamara, other pension schemes and administrators to join us in this national campaign to encourage all Kenyans to save for old age. We are at 20 percent or Kshs. 1.2 trillion but this only covers a small fraction of formal workers," he said.

Mr Raichura said the Gift a' Pension plan app allows savers to calculate growth of savings enabling them to plan for financial independence after retirement.

According to Mr Mutuku, retirees should be guaranteed a happy life after retirement if they manage to have about 66 % equivalent to their former monthly salaries as pension.

Mr Raichura said the new product will also grant savers access to a funeral benefit of up to Kshs. 25,000 with plans underway to introduce credit lines commensurate with an individual's savings. Beneficiaries under the plan will see contributions locked in and will be accessed as a lump sum or a pension after attaining 50 years.

Source: Business Daily

Less than 10% to retire comfortably on pension

BY CHARLES MWANIKI

Less than a tenth of pension schemes are providing sufficient benefits to comfortably sustain members in retirement, an actuarial consulting firm, revealing the pain retirees undergo despite making lifetime savings while employed.

According to the survey done by Actuarial Services East Africa (Actserv), retirees in defined benefit schemes have it worse than their counterparts in contributory schemes.

The firm measured the adequacy of benefits using a ratio of income after retirement to income immediately before retirement, with an ideal level between 66 and 75 %.

The firm surveyed 85 pension schemes (53 defined contribution and 32 defined benefit schemes) finding that only 9% met the ideal level of income replacement ratio for members.

"Of the defined contribution pension schemes in the survey, only 13 % seemed

to provide adequate levels of benefits for individuals joining at age 25 while 6% of defined benefit schemes seemed to provide adequate levels of benefits."

"For a large number of pension schemes, it would appear that members are unlikely to achieve an appropriate income replacement ratio in retirement. This would mean that members require to consider making additional savings towards retirement."

The problem is also exacerbated by the

relatively low returns that some schemes are getting from their investments, putting the onus on trustees to demand better investment decisions from fund managers.

"Apart from enhancing contributions or improving pension accrual factors, trustees may need to focus on improving investment returns and giving members better education on wise use of their retirement benefits," said Actserv. The agency maintained that, the inadequacy of the pension pay has therefore pushed many retirees into dependence on families for sustenance, especially when they have medical bills to foot.

The findings of the Actserv survey ties in with a recent one done by the Association of Kenya Insurers (AKI) which found that nearly 80% of workers want to start a business after retirement to continue meeting daily needs as high expenses and low income levels make it hard to save for sunset years.

The September survey, done on behalf of AKI by Research Plus Africa, also found that 19 % of workers feel that they cannot afford to retire, while 39 % said that they view their children as old-age safety net.

Source: Business Daily

How needy Kenyans have been locked out of welfare cash

BY KEZIAH KINUTHIA

About 80 % of all social protection expenditure goes to the elderly in Kenya, who represent a paltry 4 % of the country's population, locking out a huge chunk of the needy from the safety net, a World Bank survey reveals.

Nearly seven million of needy children aged 0-5 years, and 13 million children six to 17 years old have no social protection coverage, the report says.

Similarly, some 12 million youth aged 18 to 35 years and eight million adults aged 36 to 64 years have no protection — raising questions on the effectiveness of the scheme targeted at promoting equity.

"Social protection expenditures are largely skewed towards the elderly, it would be important for the country to invest more in human capital in early years and in providing security and protections for the working age," it says.

Kenya has in recent years deepened its welfare programmes with the implementation of social protection schemes that sought to reduce exclusion and shield the elderly as well as the disabled from extreme poverty through monthly stipends of Kshs. 2,000.

However, given that the cash transfer programme targeted all (70+) years, irrespective of their income status, the benefit-to-cost ratio is significantly low.

Up to 73 cents to every Kenya Shilling spent goes to the non-poor elderly, the World Bank study showed. Analysis of administrative data also shows that the elderly in less poor areas were more likely to take up this universal benefit.

"To better serve all of the poor in Kenya it would be important for social safety net programmes to improve the national coverage of the poor and not to focus just on the poorest counties," the bank advises. The World Bank study said increasing the coverage of families with children is of particular importance as children in Kenya are among the poorest across the age spectrum.

Some 37 % of children between the ages of 0-5 years live in families that are poor, it said, adding that in the 6-17 age group, 44 % live in poor households.

"The only cash-transfer programme that is targeted at poor children at the moment is reserved for orphaned and vulnerable children. There is no nationwide cash transfer programme that targets all poor children," the report said.

"Overall social assistance covered just 3 % of children aged 0-5, and children aged 6-17, in 2015/16. Poverty during childhood can have long-term effects. Poorer children are more likely to have cognitive deficits, higher stunting levels, and lower levels of schooling, which can result in decreased welfare throughout their life," it added.

In the 2015/16 fiscal year, there were 1,022,000 households in receipt of social assistance transfers in Kenya — constituting 9 % of all households in the country. Out of this, 799,039 households, some 57 %, received transfers through the National Safety Net Programmes (NSNP).

The NSNP houses four major cash transfer programmes: Cash Transfer for Orphans and Vulnerable Children, Older Persons Cash Transfer Programme, Persons with Severe Disability Cash Transfer and Hunger Safety Net (HSN) Programme.

Under the NSNP Kenya in 2019/20 fiscal year plans to release Kshs. 7.9 billion for orphans and vulnerable children; Kshs. 16.6 billion in cash transfer to elder persons; Kshs. 1.1 billion to persons with severe disability. Hunger Safety Net Programme will get Kshs. 2.3 billion.

POVERTY RATES

"Counties with the highest poverty rates are not necessarily the counties where most of the poor live," the bank points out.

Nairobi has one of the lowest poverty rates. At the same time, due to population size, the number of poor people in Nairobi is about 745,000. On the other hand, Mandera has one of the highest poverty rates in the country. However, because Mandera is smaller, the total number of poor in the county is about 554,000.

"Kenya can improve the equity of spending and efficiency of social safety net expenditures by improving the targeting performance," says the bank.

The targeting performance of the large cash transfers can be improved by recertifying recipients, some of whom were selected 10 years ago with no re-evaluation of welfare since then.

Social protection in Kenya is implemented in three components of social assistance, social security and social health insurance.

Under social security, the government introduced National Social Security Fund (NSSF) in 1965 that was followed by National Hospital Insurance Fund (NHIF) in 1966 as part of social health insurance scheme to cushion workers against future vulnerabilities.

Despite impressive expansion in membership, overall coverage remains low. The NSSF which covers salaried employees had 2.4 million active members in 2018, out of a working age population of 25 million, of which 18 million are employed.

However, according to the Kenya National Bureau of Statistics (KNBS), the country has 4.1 million registered employees under the NSSF.

Although NHIF membership has increased to 7.7 million as in 2018, representing 15 % of Kenya's 49.7 million population.

Social assistance covers only 6.8 percent of the population, despite overall poverty rate of 36.2 %

"Such low coverage as well as low adequacy of transfers (small transfer amount) translates to a low ability of social assistance in reducing the poverty rate in Kenya," the report says.

Overall spending on social safety nets in Kenya has remained relatively stable, fluctuating between 0.4 to 0.6 % of GDP over the last decade. Although overall spending remained more or less constant, the spending on the programmes has increased as a percentage of GDP, from 0.18 % in 2013/14 to 0.35 percent in 2018/19.

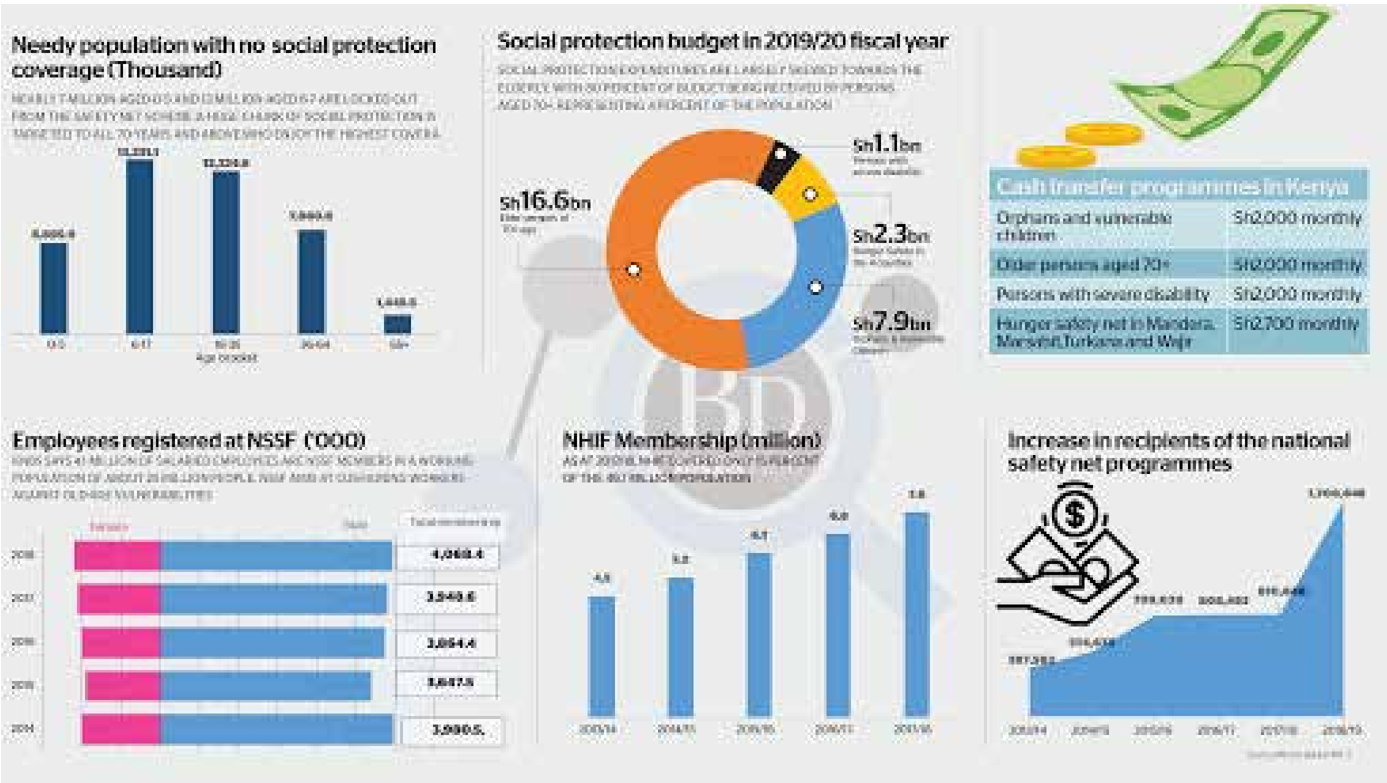
But compared to its peers in the region, expenditure on social safety net in Kenya is lower than other East African countries and much lower than countries in Southern Africa.

"Kenya spends less than countries such as Rwanda in Eastern Africa, and considerably less than countries such as Namibia, South Africa and Lesotho in Southern Africa," the report says.

"Despite the strong fiscal pressures that Kenya currently faces, investing in children and youth through cash transfers, in complement with improving services in education, health, water and sanitation, could support improvement in the overall human capital index, and may be growth enhancing in the longer term."

Households in the northern and eastern Kenya receive proportionally more assistance with respect to their population size. Extremely poor households in the four counties in which the HSNP operates (Turkana, Marsabit, Wajir and Mandera) receives a monthly stipend of Kshs. 2,700, thanks to highest

***Source:* BUSINESS DAILY**



RBA
Retirement Benefits Authority

Challenges in pension industry must be tackled

BY IBRAHIM KITOO

The last one decade has witnessed an increasing number of cases of sponsors of pension schemes failing to meet their statutory obligations of submitting pension deductions within the statutory deadlines.

The result of this trend has been unwarranted delays and or/total failure by the pension schemes to pay pension to their members upon retirement. This state of affairs prevails in a number of pension schemes both public and private in nature.

The question in the minds of many is why remittance of pension scheme deductions remains a big challenge despite there being in place Section 53A of the Retirement Benefits Act, which created the regulator, the Retirement Benefits Authority (RBA).

It provides, among other things, that where an employer made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within 15 days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

Section 53A is fraught with implementation challenges. The section allows for summary recovery proceedings against the scheme for unremitted or delayed pension deductions The said section is however fraught with administrative and implementation challenges.

Going by the Retirement Benefits Act and its attendant regulations, 50 per cent of the trustees in Defined Contribution Schemes are selected by the sponsor (employer) with the rest being elected by the members while in defined benefits schemes two thirds of the board of trustees are selected by the sponsor while the other third are elected by members.

This being the case it becomes quite impractical and ambitious to expect that the same people who are supposed to enforce the said Section 53 will want to enforce it against themselves.

This is no doubt the reason why most schemes have found it hard to invoke this section to address and enforce pension transmission challenges.

It's time the Retirement Benefits Authority, the National Treasury, the Office of the Attorney - General and other stakeholders thought of finding strategic and practical ways of creating autonomy of pension schemes.

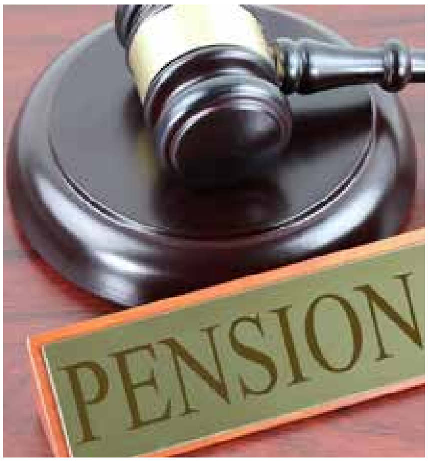
This move remains critical to actualise, make practical the application, and ease the enforcement of section 53A of the RBA.

The strategy may include possible amendments to the Act to make it mandatory for all pension schemes to have corporate trustees or corporate principal officers, included in the running of pension schemes not as sole trustees but alongside the individual trustees.

If the independent trustee is a corporate specialising in the retirement benefits industry, it can bring the expert support that the trustees will require.

Accountability, efficiency and prudent investment are crucial ingredients in the running of any pension scheme.

Otherwise the problem will keep on nagging the administration of pension schemes to the detriment of the pensioners in their sunset years when they most need their hard earned pension.



The writer is an Advocate of the High Court of Kenya and a Certified Pensions Schemes Trustee

Octagon Africa partners with Forbes in pension plan

BY BRIAN GEORGE

A new strategic partnership has been entered under which Octagon Africa will serve Alexander Forbes multinational clients with a presence in Kenya.

The Retirement Benefit Plan, a partnership between Octagon Africa and Alexander Forbes will now see more people in the informal sector take up the pension administration plan

Alexander Forbes Group Holdings, commonly referred to as Alexander Forbes is headquartered in Johannesburg, South Africa, with a presence in six other countries on the African continent.

The group is a diversified financial services organisation providing a broad range of retirement, consulting (including healthcare), asset management, insurance and wealth management solutions to both corporate and individual clients to create, grow and protect their wealth and assets, helping them secure a lifetime of financial well-being and security.

This strategic partnership comes after Alexander Forbes' review of its strategic business and operating model in March 2019, and to exit emerging markets and strategically reposition with credible partners to deliver and support their clients operating in the

specific country.

"The partnership allows us to benchmark on global practices while aligning to the local regulations and be able to offer standardised services in these countries," Octagon Group CEO Fred Waswa said at the launch.

"Through this strategy, we have a platform to work with a network of partners while maintaining the ability to deliver excellent service and solutions to our clients throughout the continent," Waswa added.

Octagon Managing Director, Godwin Simba also observed that there has been growth in the number of members and that the numbers are only expected to go higher given that most of the Kenyan population are in the informal sector.

"The growth of Members under Administration has grown over the years and now we administer over 130,000 members and over 200 corporates under with a fund valued at Kshs. 100 Billion," Simba said.

Octagon is a financial institution providing employee benefits services, property management, insurance brokerage and training for the public and private sector organisations.
Source: THE STANDARD NEWS PAPER

Genghis Capital ventures into retirement benefits business

BY KEVIN MUIRURI

Local investment bank Genghis Capital has ventured into the retirement benefits industry with the launch of two products motivated by the low pension's coverage in the country.

The investment bank has launched a solo pension plan in addition to an income draw-down plan which enables retirees to access their retirement benefits in regular intervals during their retirement years.

The firm has anchored the launch on rigorous efforts by the Retirement Benefits Authority (RBA) to deepen the penetration of pension plans in the country.

"The increased urbanisation has led to disintegration of the traditional practices that saw the younger generation take care of the old and thus it is imperative to have retirement savings that will sustain you during your retirement years," said Maurice Oduor, Senior Manager at Genghis Capital.

"We are working on automating our products to ensure anyone in any part of the country can join the Gencap individual pension plan at ease from the mobile phones and at the same time enjoy above average income through a professionally managed fund," added Genghis Product Development Officer Alice Kamau.

Presently, only 20 percent of the working population owes a pension plan while the dependency of retirement funds is weak with a recent study by Zamara Actuaries placing the country's pension adequacy rate at 34 per cent.

Source: CITIZEN DIGITAL

Hello, your business is not a retirement plan

BY CATHERINE KARIMI

Are you a successful entrepreneur and your business is booming? Though it may be tempting to invest all your profits back into the business, it is advisable and wise to put some aside for retirement.

The benefits of diversification apply to everyone. Unless carefully managed, the very traits that make you a winning business person- innovation, risk-taking, optimism -can be a recipe for retirement disaster. We need to know that the key to long-term investment success is a diversified portfolio.

Reinvesting profits may offer excellent returns, and the tax benefits can be appealing. You likely convinced yourself that as your golden years approach, you will be able to sell your business for a hefty amount and ride smoothly into retirement.

But study after study shows that only 20 % to 25 % of privately owned businesses ever get sold. The value of a small business often comes down to the owner's skills, network and customer relationships. In the fast-changing world, businesses can become obsolete in the blink of an eye.

Unless you are one step ahead of technology (and employing top talent), you need to accept the possibility business becoming less saleable over time. You should, therefore, have a separate and sound retirement plan.

No matter how much money your business is making, one of the cornerstones of financial planning is mitigating risk. For the self-employed, this means having a sufficient life cover and a comprehensive medical scheme option — not to mention the all-important (and extremely affordable) gap cover, which covers the difference between what your medical scheme pays out and the actual cost of care.

A well-diversified portfolio might comprise your business, your home and a selection of retirement funds, not to mention other investments such as unit trusts, shares and perhaps some rental property.

> **“No matter how much money your business is making, one of the cornerstones of financial planning is mitigating risk.”**

Diversification lies at the heart of risk management as it lessens your exposure to risk by spreading your capital across a number of different asset classes, countries and sectors, which each operate on their own cycle of peaks and troughs.

A privately owned business is regarded as a risky asset (even venture capital), so it is essential that you diversify away from your industry sector in your investments to make up the remainder of your portfolio.

It is recommended you do not invest more than 25 % of your capital in any single investment or with any fund manager. The same advice would apply to your business, and you need to look for ways to diversify away from a single investment (your business) for later years.

Realising that your business is not a retirement plan should not stop you from doing everything in your power to increase the probability of a sale. You can do this by embracing innovation and technology, by building a team and a brand that go beyond your personal skill set, and even by investing in business assets that appreciate in value (your business premises), and which can more easily be sold.

If you are in business with someone else, it is also advisable to put a buy-and-sell agreement in place, which would allow you to buy out your partner's heirs should your partner pass away and vice versa. For such an eventuality you could have an insurance policy that will provide the funds to purchase the deceased partner's share from the heirs. Another policy that you could have is one that covers your liability for any bank borrowings. This one would help your heirs to pay off the liabilities to the bank.

Sensible, measured investing does not often come easily to born entrepreneurs, so, find yourself an experienced and qualified adviser and listen to their advice. There is no denying that diversification might slow the short-term growth of your business, but it will go a long way towards ensuring a more comfortable retirement, and you can regard the possible sale of the business as a bonus.

The writer is Chief Executive Officer, APA Life

RBA PICTORIAL

Photo 1-5: RBA CEO Nzomo Mutuku (in white shirt) giving gifts to visitors and staff during the 2019 Customer Service week.

Children having fun during the annual RBA Children Fun Day

Chief Manager, Human Capital Development and Administration, Gordon Bulinda, addressing participants during the annual RBA Children's Welfare Day

RBA's Market Conduct Manager, Tom Kiptanui (Left), RBA's Market Conduct Chief Manager Anne Mugo (Centre) and Chairman, Association of Retirement Benefit Schemes Simon Nyakundi (Right) during the recent launch of the TDPK Curriculum in Nairobi

Left to Right: RBA Chief Manager Market Conduct Anne Mugo, Chairman Association of Retirement Benefits Schemes Simon Nyakundi, RBA CEO Nzomo Mutuku, CEO College of Insurance Tom Kajwang, Kenya Railways Pension Scheme Chairlady Hellen Wamuiga Karu and former RBA CEO Edward Odundo

RBA PICTORIAL

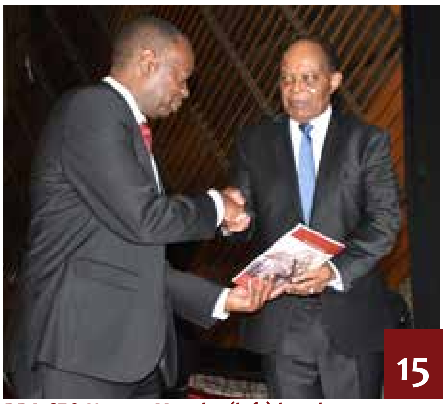
RBA CEO Mutuku Nzomo(fourth left) and RBA ICT Manager Peter Ngunyi (third left) with a group of the Authority's visitors

RBA HR Chief Manager Gordon Bulinda (left) handing over an award from an industry stakeholder to the RBA CEO Nzomo Mutuku (Right).

Participants at a recent RBA Children Welfare Day learning how to keep healthy and wealthy

A section of RBA Staff at the Strategic Plan Launch

RBA CEO Mutuku Nzomo (centre)poses for a photo with his staff members during launch of the RBA 2019-2024 Strategic Plan



RBA CEO Nzomo Mutuku (left) hands over copy of the Strategic Plan to RBA Chairman Victor Pratt

Retirement Benefits Industry Report as at December 2019

1.0 Overall Assets Under Management

On overall, the retirement benefits assets under management increased by 4.2 % from Kshs. 1,244.92 billion in June 2019 to Kshs. 1,298.19 billion in December 2019. Compared to the same period last year (December 2018) the assets grew by 11.29 %, up from Kshs. 1,166.49 billion. The growth in the assets can be attributed to the relative stability in the stock market during the period. The fund managers and approved issuers held majority of the assets amounting to Kshs.1, 173.85 billion. The assets under management included Kshs. 191.71 billion of NSSF funds, which were managed by four (4) external managers. The National Social Security Fund (NSSF) internally administered a total of Kshs. 57.16 billion of investments[1], while the trustees of the various schemes directly managed Kshs. 67.18 billion of property investments[2].

The assets managed internally by NSSF dropped drastically by Kshs. 30.9 billion from Kshs. 88.02 billion in June 2019.

The schemes continued to invest heavily in government securities with the asset class recording 42 % of the total assets under management. This was followed by immovable property, which accounted for 18.46 %, investments in quoted equities accounted for 17.57 %, investments in guaranteed funds accounted for 15.52 %. Investment in alternative assets by schemes has gained traction with an inclusion of Private Equity & Venture Capital as an assets class. Investment in private equity and venture capital increased by 12 % from 863.94 million in December 2018 to Kshs. 969.25 million in December 2019 accounting for 0.07 % of the total assets. The table below provides detailed aggregate investments by schemes by the various asset classes.

Overall Industry Investment Portfolio (KSHS. BILLION)

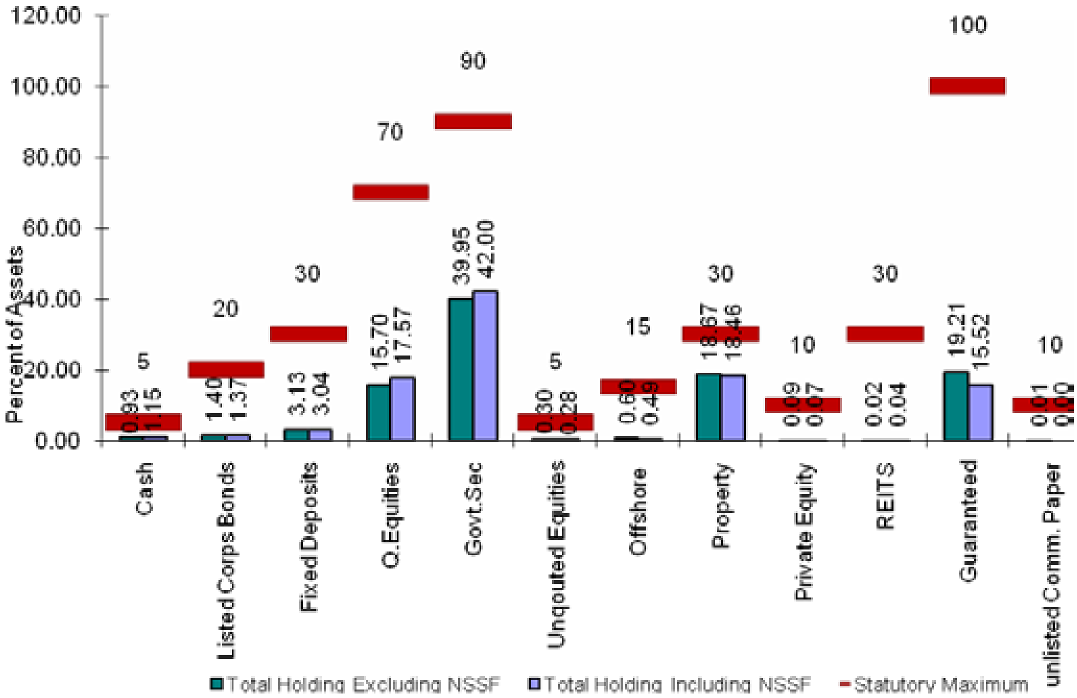
		Dec. 17		June. 18		Dec. 18		June. 19		Dec. 19	
	Assets Category	Kshs.	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
1.	Government Securities	394.19	36.5	423.7	36.3	459.68	39.41	518.4	41.64	545.27	42
2.	Quoted Equities	210.17	19.5	241.46	20.7	201.51	17.27	203.63	16.36	228.12	17.57
3.	Immovable Property	226.72	21	229.32	19.7	229.91	19.71	233.64	18.77	239.65	18.46
4.	Guaranteed Funds	142.97	13.2	159.63	13.7	167.45	14.36	186.46	14.98	201.52	15.52
5.	Listed Corporate Bonds	41.99	3.89	41.51	3.56	40.28	3.45	34.45	2.77	17.80	1.37
6.	Fixed Deposits	32.88	3.04	31.62	2.71	36.39	3.12	40.04	3.21	39.41	3.04
7.	Offshore	12.77	1.18	15.03	1.29	13.13	1.13	7.24	0.58	6.32	0.49
8.	Cash	12.95	1.2	18.99	1.63	12.72	1.09	15.78	1.27	14.96	1.15
9.	Unquoted Equities	4.06	0.37	3.78	0.32	3.79	0.33	3.72	0.3	3.61	0.28
10.	Private Equity	0.322	0.03	0.42	0.04	0.86	0.07	0.91	0.07	0.97	0.07
11.	REITS	1.03	0.1	1.01	0.09	0.71	0.06	0.59	0.05	0.50	0.04
12.	Commercial paper, non- listed bonds by private companies	0.062	0.01	0.22	0.02	0.06	0.00	0.06	0.00	0.06	0.00
	TOTAL	1,080.11	100	1,166.70	100	1,166.49	100	1,244.92	100	1,298.19	100.00

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

1 This includes property amounting to Kshs. 43.73 billion, quoted equities Kshs. 9.15 billion; fixed deposits, Kshs. 768 million, Cash and demand deposits, Kshs. 3.18 billion, and unlisted shares, Kshs. 331 million.

2 Internally managed property is investments in Property not reported by Fund Managers. The data of the internally managed property was extracted from the Schemes Financial Accounts for 2018. The decrease in the internally managed property can be attributed to the directive issued by the Authority requiring schemes to relinquish the investment of scheme funds to fundmanagers.

Overall Industry Investment Vs Statutory Maximum

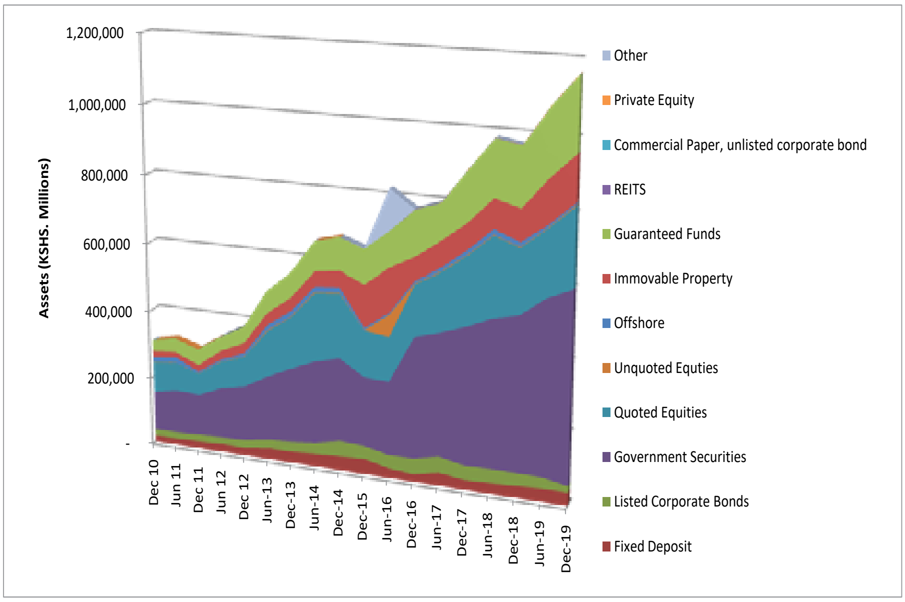


2.0 Assets Held by Fund Managers and Approved Issuers

For the period ending December 2019, 19 fund managers and 17 approved issuers, submitted 1,239 scheme reports with a total fund value of Kshs. 1,173.85 billion representing 7.7 % increase in the total assets under fund management up from Kshs. 1,089.71 billion in June 2019. Compared to the same period last year (December 2018), this was 19.77 % increase, which the total assets under fund management was Kshs. 980.06 in December 2018 billion. The total assets managed by fund managers amounted to Kshs. 972.32 billion while the approved issuers managed only Kshs. 201.52 billion.

The asset diversification remained almost similar to the previous periods with most of the asset classes recording minimal increases/decreases. 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[3].

Assets Under Fund Management (DEC. 2010 - JUN. 2019)1

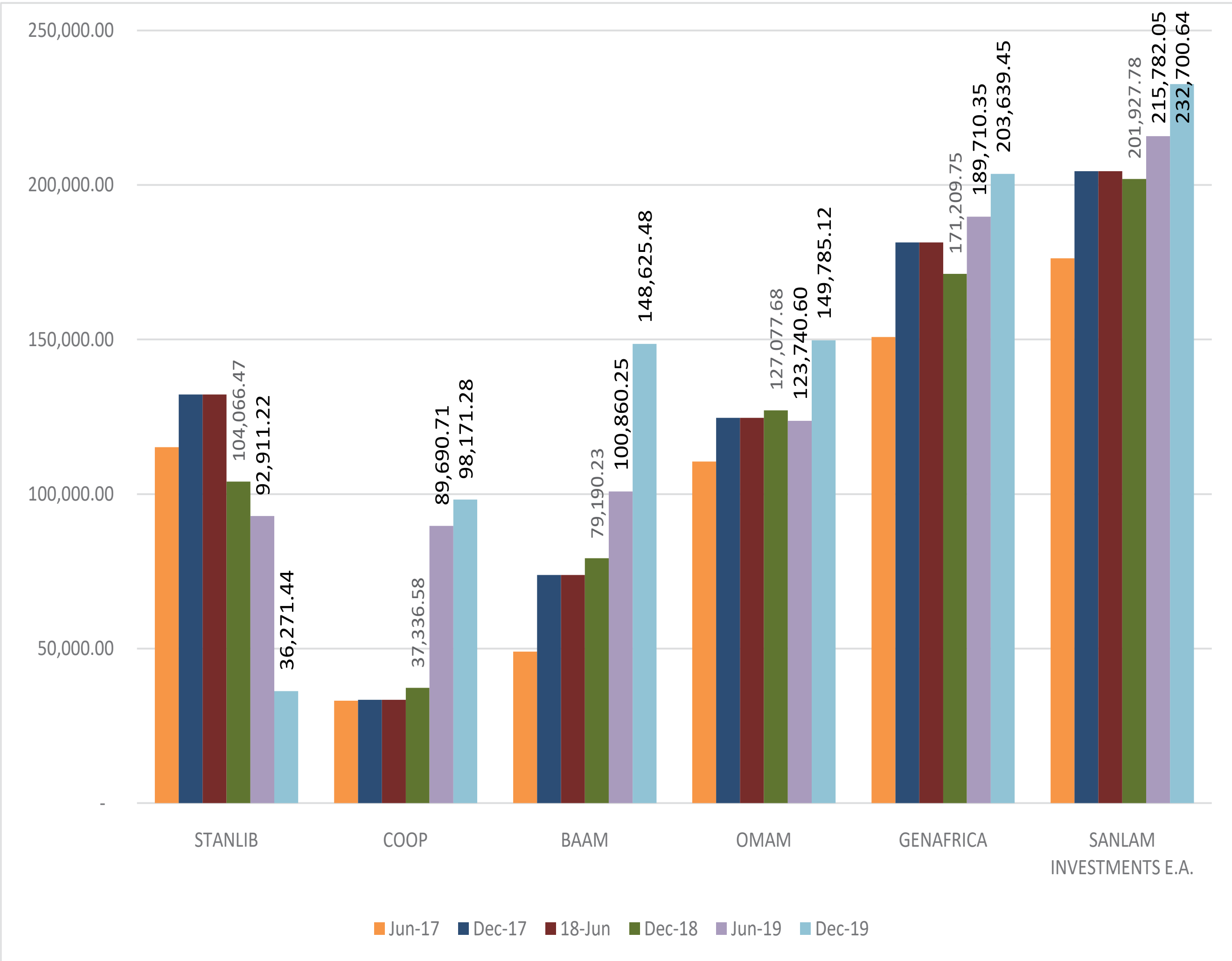


3 For more details, see legal notice No. 107 on the Retirement Benefits (Forms and Fees) Amendment Regulations, 2016. Table G was amended to incorporate new assets classes.

In terms of investments by specific fund managers and approved issuers, Sanlam Investments East Africa Company limited still remained the fund manager with the largest assets under management with total assets under management at Kshs. 232.7 billion which translating to 19.82 % 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, British – American Asset Managers Ltd and Coop Trust). The five manage the bulk of the investments with the total assets under management (AUM) amounting to Ksh. 832.92 billion constituting 70.96 % of the entire AUM. The assets managed by Stanlib Kenya ltd dropped drastically during the period from Kshs. 92.9 billion in June 2019 to

Kshs. 36.27 billion in December 2019, while the assets managed by Britam Assets Managers ltd jumped by Kshs. 47.8 billion to stand at 148.62 billion in December 2019 from Kshs. 100.86 billion in June 2019. 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.

Assets Under Management by Top Five Managers (DEC. 2013 – DEC. 2019)



3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

The total assets held by NSSF increased by Kshs. 22.19 billion in December 2019 to stand at Kshs. 248.87 billion from Kshs. 226.68 billion in June 2019 representing 9.79 %

increase. Out of the total amount of the Kshs. 248.87 billion, Kshs. 57.16 billion5 was internally managed by NSSF. The externally managed funds increased over the period from. Kshs. 138.66 in June 2019 to Kshs. 191.7 billion in December 2019. The British American Asset Managers Limited recorded the highest jump in the assets managed for NSSF from Kshs. 34.83 billion in June 2019 to Kshs. 76.68 billion in December 2019 representing 120.15 % increase. The table below shows the distribution of the NSSF funds to the various fundmanagers.

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

NSSF PORTFOLIO OF THE EXTERNAL MANAGERS (DEC.2014 –JUNE 2019)

	Dec.14	Dec.15	Dec.16	June.17	Dec.17	June.18	Dec.18	June.19	Dec.19
British- American Asset Managers Limited	-	17,860	22,033	24,289	27,260	30,402.30	31,099.44	34,835.17	76,681.83
Gen Africa Asset Managers	13,125	30,096	31,667	36,009	35,635	38,038.24	37,413.03	40,557.00	44,107.34
Old Mutual Asset Managers (Kenya) Limited	13,352	17,945	20,620	24,190	26,718	29,636.23	30,395.65	33,568.29	37,822.78
African Alliance Kenya Investment Bank Limited	-	-	-	-	-	26,735.70	27,005.72	29,696.78	33,097.05
ICEA Lion Asset Management Limited	13,269	18,058	20,534	23,826	25,953	-	-	-	-
Stanlib Investments Kenya Limited	12,246	18,494	21,639	25,316	27,738	30,462.79	-	-	-
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**	**138,657.24**	**191,709.00**

5 These represent investments in immovable property (Kshs. 43.73 billion), unquoted securities (Kshs.331 million), fixed deposit (Kshs. 768 million), Kshs. 9.15 billion in quoted equities and 3.18 billion in cash.

The overall NSSF portfolio is heavily invested in government securities representing

50.67 % of the total assets. This was followed by quoted securities and immovable property at 25.47 % and 17.57 % respectively. The portfolio allocation complies with the investment guidelines.

.Future Outlook

The growth in the retirement benefits sector is projected to drop in the first half of 2020 given the effects of the Corona virus (Covid-19) which has in the shortest time negatively impacted the financial markets and is postulated to significantly affect the global economy. The schemes are expected to continue to invest in 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.

MARCH 2020

RESEARCH AND STRATEGY DEPARTMENT

Planning for Retirement Security: Key Factors to Consider

SAMSON OSERO-

People employed before the mid-90s, particularly in the civil service, were certain of job security until the specified year of retirement. The obedient servants were on "Permanent and Pensionable Terms" which would only be withdrawn on disciplinary actions, health grounds or returning to the Maker. In 1998 under the Civil Service Reform Program, the government for the first time retrenched over 20,000 employees in the infamous 'Golden Handshake" payouts.

The private sector caught up with the retrenchment wave and nipped in the bud career dreams of workers in their 20s, 30s, 40s and 50s. Retrenchment became an office-hold name that caused cold shivers in workplaces whenever it was mentioned. In essence, it wound backwards the retirement clock with enticing titles such as Voluntary Early Retirement Program.

Unrelenting market forces, digitization of work processes and business-unfriendly legislation, among other factors, have eroded job security to unprecedented levels. Unlike two decades ago, employees are now self-compelled to begin planning for retirement from the first day at work. Here are some factors working people should consider in planning for retirement security way ahead of leaving paid employment for whatever reasons.

Financial Independence

Employees' main source of income is the salary they receive at the end of every month. The money enables them to meet living expenses; purchase assets; pay for services and save for investments. On retirement, the salary tap shall be closed and replaced with pension payments most of which are a pittance. Pension compared to the salary on last pay slip cannot enable one to continue living at the same lifestyle as before. The key question to ask oneself today is: What decisions should I make now to secure my financial independence during retirement?

Since the employer's monthly pensions will not be adequate, open and make contributions into a personal pension scheme in a registered financial services firm. At retirement time, the scheme money can be converted into an annuity receivable every month for an agreed period. This annuity plus the pension will become reliable sources of income to enable you meet some of your retirement living expenses.

Other employees have increased NSSF contributions above the minimum statutory requirement. The total NSSF contributions will be available for withdrawal on attainment of 50 years. Such a lump sum is more often than not subjected with numerous expenditures until it gets exhausted after a short period. Elsewhere it has been suggested that converting the payment into an annuity would assist retirees to enjoy a regular income stream.

Retirees who obtain lump sum payments from their pension schemes have wondered over the speed at which their money wallets become empty. It reminds them of people that win lotteries but later on live in abject poverty. If you have an on-going project that requires money, the lump sum would be its ready source of finance. Without such a project at hand, the money may be squandered in purchasing unnecessary goods or services on impulse. The money will be soon gone. The retiree will become financially stranded claiming that the money was cursed from the day it was received. Retirement advisors have recommended that lump sums be converted to annuities to guarantee retirees with a regular future income.

The key decision one can make during working years is to postpone consumption especially of luxuries and increase savings preferably in a SACCO. The accumulated savings can be invested an income generating project or investment instruments such as shares, Treasury Bills and Bonds. Some people have invested in real estate that eventually produces rent income that outlives them.

People have a tendency to create all sorts of flimsy excuses for being unable to save money. Some deceive themselves that they will begin saving when their salaries are increased. Others are convinced that savings cannot be made out of the meagre salaries they earn. These and similar deceptions will not be a remedy to the dry spells of money they are likely to face in retirement.

Saving is a habit one can develop regardless of the amount of salary you earn. Needless to state, money matters require self-discipline driven by one's specific financial goals. Self-discipline is the key stepping stone towards financial independence. It can empower you to save more money compared to spending it on unbudgeted for items.

Financial experts have proposed that a monthly salary be allocated on the ratio of 50:30:20 for living expenses; other expenditures and savings respectively. Over a long period, the money saved could be available for investments like starting a side hustle. When the side hustle succeeds, it turns out to be a safety net or soft landing while earning you revenue in retirement. The ball is on your court during the employment season to apply the above ratio and monitor your progress towards achieving personal financial goals.

Retirement Home

During working years, some people stay either in rented houses or staff quarters. The two types of housing sometimes put them in a comfort zone that becomes unfavorable when retirement knocks at the door. The occupants will be required to move out of the houses for alternative residences. A few would immediately wish to move to cheap houses within town or its suburbs. This temporal movement will be short-lived because the fresh retiree will not have a regular source of income for rent payments. Finally, the retiree may be forced to relocate elsewhere to meet his or her shelter needs.

Cases of employees refusing to vacate staff quarters or rented houses have been prominently featured in the local media. Landlords or employers have sorted out the impasse through evictions after expiry of notices. Families have sometimes put up with ugly eviction episodes that include brutal physical fights. To avoid such unbearable evictions, it is advisable for one to plan and build a house where you will reside in retirement.

Some employees may decide to relocate to the rural area, preferably their ancestral community. Those with an existing house will move in and begin adjusting into the rural life with its challenges. If you had not built a house back at home, you could use part or the whole terminal lump sum for one.

Of late middle class employees are living in their own houses. For the people in this category, retirement does not make any difference on the issue of shelter. However, some retirees with empty nests vacate their houses for relocation to either the rural area or nearby suburb. They let out the vacant house as a new income stream.

Unfortunately, other retirees have been thrown out of their own houses by their adult children. The children have argued that they need the houses more than their aging parents. On planning for retirement, working people should aim at owning retirement homes. Such an owner-occupied house in whichever location will enable a retiree to begin his or her retirement on the right footing.

Side Hustle

Nowadays, full-time employees are stealthily starting and running side hustles to not only meet their living expenses but also as a possible soft landing whenever employment is terminated. Although the idea of a side hustle is attractive, one should select those that are not in conflict with the current employment. People who have ignored this advice have lost their jobs at a time they are most needed.

Starting a side hustle is easier than keeping it running. Consider many business ideas for the side hustle before settling on one. Evaluate the viability of the business ideas by confirming that a ready market exists for its products or services; required finance is available to take it off the ground and one possess the pre-requisite management capability for running the side hustle.

New entrants into business have burnt their fingers by venturing into the kind of businesses they had little or no knowledge about. Others have employed close relatives to run the enterprises but failed to put in place necessary control systems. The worst hit on business failure opened undercapitalized businesses that took off but closed soon after.

Proper planning backed with adequate resources, will enable you start a viable side hustles with potential for growth. Take your time to understudy the nature of business you want to begin before committing resources into the venture. The running of a side hustle will become not only a new occupation in retirement but also a source of income.

Healthy Lifestyle

The old adage: "health is wealth" has stood the test of time. Good health can enable you engage in daily activities that include working to earn a living. But it is a pity that people do not take care of their health. Eat a balanced diet and engage in regular physical exercises, both of which are basics for living a healthy lifestyle.

The saying: "you become what you eat" is outrightly ignored until people develop medical conditions such as obesity and hypertension. The decisions one makes now on better nutrition will have an impact on their health in retirement. Aim at meal plans that qualify as balanced diets for both your nourishment and protection from avoidable lifestyle disease such as diabetes.

Physical exercises are beneficial for keeping one's body healthy. They burn excess calories whose accumulation would cause obesity. The exercises promote blood circulation in the body to keep away cardiovascular diseases. Yet people find plausible excuses to avoid even simple physical exercises such as brisk walks. Keep the excuses at bay and make it a habit to regularly undertake physical exercises for body fitness. Sustain the keeping fit habit into retirement for the sake of your physical wellness and longevity.

Family Relationships

The family is an important institution whose members are expected to foster good relationships between each other and among themselves. Healthy family relationships play a key role in managing life issues that may not be handled singly. It is, therefore, crucial to maintain high quality family relationships while working and during retirement.

People who live in a stable family are able to weather both internal and external storms of life. But those from problematic families are unable to obtain the family's support in times of need. Family relationships nurtured during employment time would facilitate one's future transition into retirement. Poor relationships today are bound to be carried forward and cause psycho-social adjustments in retirement a real nightmare.

Friends and Community Members

Social wellness dictates that you build good relationships both at work and outside, particularly in your community. Some friends made during working years may be available to lean on at different times. They can become a sounding board when grappling with retirement issues some of which cannot be readily addressed. Maintain friendly relationships with people because you may, in future, need each other outside the workplace.

Community members play a key role in shaping the socio-economic activities of a particular geographical location. They are a good source of ideas on addressing communal issues. Participate in current and future collective community activities to contribute towards societal well-being. Continual engagement in community development matters would pave your way into any desired future leadership roles. Eventually, taking up the roles would enable you to both give back to society and make you productively occupied in retirement.

Samson Osero, Independent HRD Consultant; Author of TRANSITION INTO RETIREMENT, samsonosero@gmail.com

Study Reveals why Kenyans are Not Saving Enough for Retirement

BY JANE ONYANGO

Retirement can be a dilemma. For some, it triggers deep anxiety because it is a walk into the unknown.

It means you can no-longer earn a paycheck and have to survive on whatever little you managed to save while working;not sure whether these savings will sustain you and your dependants for the long haul...this can be quite overwhelming.

And, there are those who delay making the critical decision on their future after employment by saying: "I'll cross that bridge when I get there".

A new study has revealed the real reason for this unease and procrastination.

Top in its findings is the distrust that accumulated benefits will be available upon retirement. This, the study by the Retirement Benefits Authority (RBA), underlies the reluctance by Kenyans to save for their retirement.

Inadequate information and Insufficient income, as stated in the study, also play a major part in the publics' inability to save.

According to the survey, majority of workers believe that saving for retirement is for the rich. In the study, 35 %of those interviewed believe that only people with high income can save.

Another 8 %think saving is expensive while 4%are afraid to lose their money.

Conducted in 2018 by Associate Consulting Africa Limited on behalf of the Authority, the study further paints a picture of overall unease and trepidation for employees approaching retirement. That said, is Retirement a Journey or is it a Destination worth the dread?

Out there it is a mixed bag. Some view it as the end of the road. Hence, the assertion that it is a destination.

Others consider it a mere transition; the gradual shift from one phase of life to the next. To the latter retirement opens up a whole range of new possibilities with fresh interests and pursuits.

Some people want to explore alternative employment opportunities upon retirement others are content to carry on with their careers in way of consultancy. A majority simply want to keep their minds engaged and continue having a source of income.

Retirement therefore can open a new chapter in the lives of many people and should be embraced, not viewed with dread, as some do.

How to meet day-to-day financial obligations and maintain a standard of life they got so used to for so many years is perhaps the most common fear for many new retirees.

"But those who plan have no reason to fear this phase of life and retire quite comfortably," says Simon Wafubwa, CEO Enwealth Financial Services Ltd.

"Retirement savings plan helps to provide an income for the rest of your life," he adds.

> For retirement brings repose, and repose allows a kindly judgment of all things

He cautions that the money should be spent wisely to minimize the risk of outliving one's pension. Upon receiving the lump sum some retirees tend to be thrifty; some see an opportunity to marry a second wife; others go for holidays abroad as others invest in other savings plans.

According to Wafubwa it helps to discuss long-term savings and investment options with financial advises; "they may guide you to choose a product tailored to your unique future needs," he proposes.

Wabufwa views the pillars of good retirement as having enough savings, investing in social networks, good health, and having a positive attitude.

On health, he advises retirees to get a personal medical cover even a basic one such as NHIF, " Old age comes with various health complications which may deplete your entire pension with just one trip to the emergency unit…," he notes.

He guides retirees to invest based on ability and prudently. "A modest house in the village makes more sense than a mansion built just to show off," he says.

It is also important to diversify resources so that you do not become a 'poor rich man' Wabufwa warns.

A poor-rich-man has all his assets tied for instance in real estate but lacks liquid cash for immediate needs.

His advice is, therefore, to invest in Government securities such as treasury bills and bonds besides real estate .

Finally, he suggests that parents teach their children to start saving early "so that they are not eyeing 'your' pension."

"Sustainable wealth creation is not based on inheritance, your children need to know that," he adds.

To emphasize the importance of planning for retirement, Wafubwa quotes the Book of Numbers 8:24-25. It reads: "God instructed Moses, that men twenty-five years of age or older shall enter to perform service at the tent of meeting. But at the age of fifty, they must retire and no longer serve."

According to Wabufwa, this is an indication that even God appreciates retirement past the age of 50, when the body becomes frail and tired.

"It is, therefore, wise to take proactive steps to build a comprehensive savings plan for your future financial needs so that you can look forward to a better retirement," Wabufwa adds.

Teaching the children to earn wealth helps them value, appreciate, and seek to protect investments long after their parents are gone.

Wabufwa was speaking at a retirement planning seminar organised by the Retirement Benefits Authority in Nairobi, for employees approaching retirement.

Jane Onyango is a Corporate Communications officer at RBA, jonyango@rba.go.ke

You can still be productive in retirement: Lessons from a retiree

BY JANE ONYANGO

Mr John Njihia (left) at his home. Below: Mr John Nhihia (In blue overall at his farm)

He was not a spendthrift; as a matter of fact, he invested his entire pension from the county government when he retired. But Douglas Njihia still failed.

Mzee Njihia; a former clerk at the County Council of Nairobi left employment in the year 2000 with a lump sum of Kshs 1.2 million.

Knowing too well that retirement meant an end to monthly pay slips, Njihia ventured into the matatu industry. Though he had not thought through the business well, he believed it was a quick way to make good cash.

Most Kenyans commute daily, and there are never enough Matatus on the road, he thought. So he bought two second-hand 14 seater Matatus plying Wangige-Town route.

He hoped to take home Kshs. 3000 per day after paying the conductor and the driver and settling other daily maintenance expenses. The business paid off indeed. Sadly, it did not last.

Soon the conversations between him, his driver and conductor started revolving around arrests by traffic police, harassment by 'Kanjo' (county government officials), crackdowns and court attendance fines for the numerous traffic offences.

Each day had a different story; police fines, brake pads, air filters, battery acid, and bail. He would later realise that the matatu business was not a business for the faint-hearted. Six months down the line, he could take no more.

Njihia sold the Matatus, but at a loss. Later, he confessed to having chosen

the matatu business because it was easy to start and seemed profitable.

"I made an error in judgment thinking the matatu business would give me quick returns, I was wrong," he admitted dejectedly.

Though discouraged he did not give up. He took some time off to think through other viable business veatures.

He prayed about it and settled on dairy and poultry farming. At least this was something he understood and enjoyed doing having been apprenticed by his peasant father.

With proceeds from the sale of the Matatus, Njihia started rearing exotic dairy cattle and poultry on his farm in Kabete.

Fortunes turned, 19 years down the line, he has six Friesian cows and over 2000 layers.

Today, he supplies hundreds of litres of fresh milk to Kabete Dairy Farmers, who process the milk and sell to households. He also delivers at least 150 trays of eggs to Wangige market weekly.

At 74, the returns from this business keeps the father of six going. His children are all grown and have all moved out.

"I am home alone with my wife most of the time and we do not have many expenses. I am not wasteful; so I saved some money and partnered with a few friends to build rental houses in Mwiki," says Njihia of his other investments.

Njihia who loves eating vegetables also grows some in his small garden. "My wife does not have to buy sukuma wiki and spinach," he says with a proud smile.

He attributes his success after the rough start to God. "I believe it is that prayer I said just before I settled on farming," says Njihia, an elder at the Anglican Church Kihururu Parish. He loves giving back to the needy as an appreciation for this blessing.

To employees yet to retire, he gives some valuable advice "start saving early for your retirement and when you retire, invest in a business that you have a passion for."

Though his retirement had a rough start, Mzee Njihia now enjoys every bit of it. He shared his story during a recent retirement planning seminar organised by the Retirement Benefits Authority (RBA) at Crown Plaza Hotel Nairobi.

Tips for successful investments:-

- Choose a business based on what you love doing.
- Pick a business that fits into your current life or the life you wish to maintain.
- Build a business on what you already know and are good at.
- Consider your financial status when comparing business opportunities.
- Think of a product or service in demand but currently under-provided.

Jane Onyango works at the Corporate Communications Department, RBA.

Secrets that define captains of industry: Lessons from the electric heater

BY JAMES RATEMO

The great statesman, Nelson Mandela of South Africa is gone but his legacy lives on.

Today, I concur with what he said in his autobiography, LONG WALK TO FREEDOM, that most effective leaders will not lead from the front but from behind.

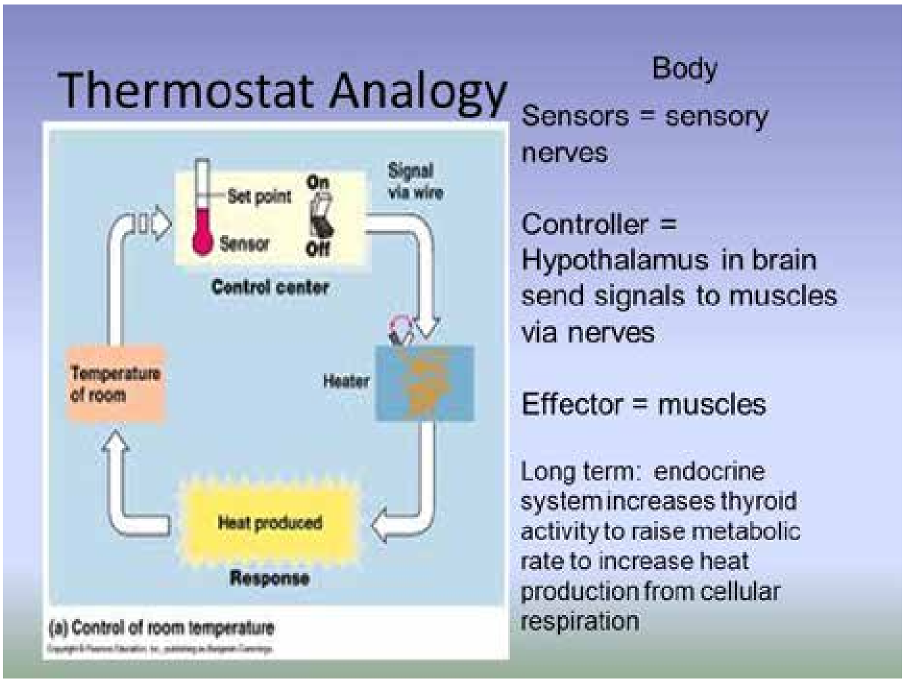
As most captains of industry could concur, the days of command and control are fading fast. The next generation of workers are seeking independence to do their work. Relentless micromanagement stifles the creativity that you desire from your employees and prevents you from focusing on the highest objectives of the organisation.

“It is better to lead from behind and to put others in front, especially when you celebrate victory when nice things occur. You take the front line when there is danger. Then people will appreciate your leadership,” said Nelson Mandela.

Mandela equates a great leader with a shepherd: “He stays behind the flock, letting the most nimble go out ahead, whereupon the others follow, not realizing that all along they are being directed from behind.”

Meghan Biro the Chief Executive Officer ,Talent Culture, adds that leadership is about influence, guidance and support — not control. Look for ways to do your job and then get out of the way so that your people can do theirs.”

In his book: THE SOCIAL PSYCHOLOGY OF INDUSTRY, J.A.C Brown (1954) gives this analogy:



The earliest types of machine were, for the most part, of such a nature that, once started, they went on carrying out certain actions with mechanical precision until the man controlling them stopped the engine or until they ran out of fuel.

The most modern heating system, however, is controlled by a thermostat, so that in a very cold weather, the temperature of the room will remain reasonably constant because the system is controlled by messages from the environment.

Lesson from the thermostat analogy:

The inefficient leader is like the old-fashioned machine. His personality is rigid and fixed, he receives no messages from the environment, and his leadership is only effectual when the emotional climate of the group happens to coincide with his own peculiarities.

On the other hand, the effective leader is like the thermostatically-controlled heating system. He is receptive and his power is under the control of the incoming messages which inform him of the changing emotional climates of his group.

Think of how an electric kettle works. You switch it on and it switches itself off when water boils. That is what we call intelligent leadership. One that knows when to stop emitting heat. The thermostat controlled electric heater is even better since it can stop and start on its own depending on how it has been set.

This does not mean to imply that it's role is purely passive, or that he is a chameleon who changes his opinions with every swing of emotional climate. On the contrary, while being receptive to such swings, he will endeavour to act like a human thermostat in keeping the climate constant at a healthy level.

Nor does it mean that he is capable of handling all possible situations. He is not a superman. But he will certainly be able to deal with a much wider range of situations than the prejudiced man with fixed ideas. In short his function is to keep the emotional climate constant through many changing situations, to keep the situations which seem to demand the dictator or the agitator from arising.

Famous billionaire philanthropist, Bill Gates of Microsoft Inc said, As we look ahead into the next century, leaders will be those who empower others.

This line of thought is supported by Alli Polin, an international leadership Coach who says: Leaders that tap into the hopes, dreams, and strengths of the team, create a magical culture that hums with possibility.

Neil Patel, a top entrepreneur in the US says on his website, NeilPatel.com that as a leader “always treat your employees exactly as you want them to treat your best customers.”

Dr. C.I Barnard, a leading authority on management, from an essay on 'The nature of leadership' in the book HUMAN FACTORS IN MANAGEMENT, edited by S.D Hoslett writes that the good leader in industry may sometimes give the impression that he is a rather stupid fellow, an arbitrary functionary, a mere channel of communication, and a filcher of ideas.

In a measure, this is correct. He has to be stupid enough to listen a great deal, he certainly must arbitrate to maintain order and he has to be at times a mere centre of communication. If he used only his ideas, he would be somewhat like a one-man orchestra, rather than a good conductor, who is a very high type of a leader.

The difficulty, says Barnard, is to find people who have these qualities, who are properly stupid, effective channels of communication, and capable of stealing (borrowing) the right ideas.

Another quotation from the Tao-Te-King, the Taoist scripture of China sums it all:

- The best soldier is not soldierly.
- The best fighter is not ferocious.
- The best conqueror does not take part in war.
- The best employer of men keeps himself below them.
- This is called the virtue of not contending.
- This is called the ability of using men.
- Do not be one-man orchestra type of leader.

The leader who is, in effect, a one-man orchestra is what we shall describe as an autocrat. The autocrat shows the following characteristics: he gives orders which he insists shall be obeyed, he determines policies for the group without consulting them, he gives no detailed information about future plans but simply tells the group what immediate steps they must take, he gives personal praise or criticism to each member on his own initiative, and remains aloof from the group for the greater part of the time.

In other words, like the old-fashioned heating system, he gives out energy without regard for the emotional climate which surrounds him.

Contrasted with this type of leader is the democrat who gives orders only after consulting the group, sees to it that policies are worked out in a group discussion and with the acceptance of the group, never asks people to do things without sketching out the long-term plans on which they are working, makes it clear that praise or blame is a matter for the group and participates in the group as a member.

Of a third type of leader, the laissez faire type, little need to be said, except that this leader does not lead, leaves the group entirely to itself, and does not participate.

> “Leadership is not a rank, it's a responsibility."
> *-Simon Sinek, Writer/Speaker* ”

A genuine democrat is an effective captain of industry. He is the conductor of an orchestra rather than to one-man-band, and he realizes that his job is to coordinate the willing work of his employees or to borrow from the political field, is to lead a coalition of the willing. He realises , too, that a firm should be something beyond individual personalities, and that it is the sign of good leadership that things will go quite smoothly when he is temporarily absent.

His employees know what they are doing and why, and they do not have to pretend in order to get on.

Authority is delegated all down the line, and all levels of management feel sufficiently secure to consider the well-being of their subordinates instead of constantly looking up the line to make sure they are being approved.

In summary it is clear that an effective leader does not think he is a special kind of man, but rather that he is one of the group; he never gives orders without explaining why they are necessary.

“An effective leader discusses problems with the group and treats his men as co-workers rather than instruments; he keeps them informed about future plans, so that they know what they are doing and why they are doing it; he delegates authority and see, to it that nobody is indispensable,” argues Mr. Brown.

Replace compulsion with cooperation

It is clear that that in modern industry compulsion has to be replaced by co-operation or else be ready for sabotage which may do a great deal of damage. To succeed, a leader must have the power of the group behind him.

Cooperation cannot be produced by force. The workers by reason of their informal authority have the much greater power of accepting or rejecting cooperation with the formal hierarchy.

As a leader ask yourself not whether you can lead but also ask if they will follow. Also know that if the led cannot follow, it is easy to change the leader than the followers.

No leader can increase productivity, raise morale or improve social conditions in the factory without the co-operation of others.

By James Ratemo is the Head of Corporate Communications at the Retirement Benefits Authority jratemo@rba.go.ke, Twitter: @KenyaCurrent

Puzzles that need urgent attention in Kenya

BY ARTH SHAH

Money is a word that resonates well with you and saving is a word that your parents, teachers or relatives always (probably) talk to you about while pension or retirement is a word that you probably don't take seriously (or you do, if you are ready to retire)

This is a 25-year old Millennial writing to you about pensions and retirement.

Did you know, through a Zamara survey of retirement benefits industry in Kenya, around 20 % of the employed population is covered by a retirement benefit scheme. This is equivalent to 3.2 million people.

However, the vast majority of these simply participate in the National Social Security Fund (NSSF) where a low level of statutory contributions apply and too low to support an adequate retirement benefit.

There are around 20 million people who are excluded from any form of retirement benefit coverage. One may ask why we should care about these 20 million people. It is because they have no means of living a dignified life after they stop working.

This may mean that poverty among the future elderly will soon emerge as the driver for global poverty and an increase in dependency on the working population and youth in the future.

Assets in the retirement benefits industry have risen at an average rate of around 12 % per year over the past 10 years to approximately Kshs. 1.2 trillion in December 2018.

Most of the monies are put in traditional asset classes like fixed income assets, including government securities, fixed deposits, corporate bonds and equities.

On average, 95 % of individuals who leave employment opt not to preserve their benefits and take the maximum available under the legislation as cash.

This cash is fully used in less than three years (after leaving employment) on businesses that end up closing down or on emergencies like children's school fees or repaying a loan.

Retirees are making sub-optimal decisions and are able to replace only 34 % (on average) of their earnings before retirement as a pension per month, when the should ideally replace 75 per cent.

It is quite clear that our retirement benefits industry is growing and has its challenges. When comparing our retirement benefits industry with those around the world, there are similar challenges. Even though global pension assets crossed the $40 trillion-mark last year, global coverage and adequacy of pensions even in the developed world is a challenge.

In Bangladesh, only 9.2 % of working age population are covered while in places like Nigeria, South Africa and Indonesia, the figures are 5.2 %, 3.7 % and eight % respectively.

This is mostly due to illiteracy in areas to do with finance and retirement, which is a universal challenge. Around the world, the concept of saving for retirement does not resonate with the person and this is especially true with the youth.

In the US, the American College of Financial Services conducted a survey for those nearing retirement and in retirement and it was revealed that 75 % of the respondents failed a 38-question retirement planning quiz.

A UK Adult Financial Literacy Capability Survey found that 22 % of people in the UK are unable to read a bank statement and 40 % do not understand the impact of inflation on the real value of money.

The situation of retirement benefits industry in Kenya is puzzling. In every puzzle, it is expected that the pieces are put in a logical manner to successfully complete the challenge.

In the case of pension, we have identified pieces of the puzzle that are already fitting well, pieces that need re-ordering or re-fitting, those that are missing and areas that need to be hit by a hammer.

We believe the pieces touch upon each of the following categories: adequacy challenge, including role of investment strategy; improving at retirement decisions; delivering value to members and effective member engagement.

Another one is rethinking pensions.

We hope to solve the pension puzzle.

The writer is Millennial and Actuarial Analyst at Zamara Group.

Source: BUSINESS DAILY

Mortgage plan timely

Treasury's push for the implementation of Kenya's new mortgage refinancing company to help would-be homeowners who struggle to secure home loans offers hope for many middle income earners who have hitherto been locked out of the mortgage market.

The Kenya Mortgage Refinance Company (KMRC) offers an opportunity for households in the low and middle income bracket to buy affordable houses by making it easier for banks to access long-term finance for home loans for onward lending to such households.

This is the best bet to increase home ownership and jerk up mortgage accounts in a country where loans are measly compared to the size of Kenya's economy. Total outstanding mortgage debt stood at about Kshs.223 billion in 2017, or 2.7 % of GDP, according to central bank data. South Africa's mortgage industry is 31 % of GDP.

Treasury honchos expect that KMRC will increase the number of mortgages to over 60,000 by 2022 from the current 26,000.

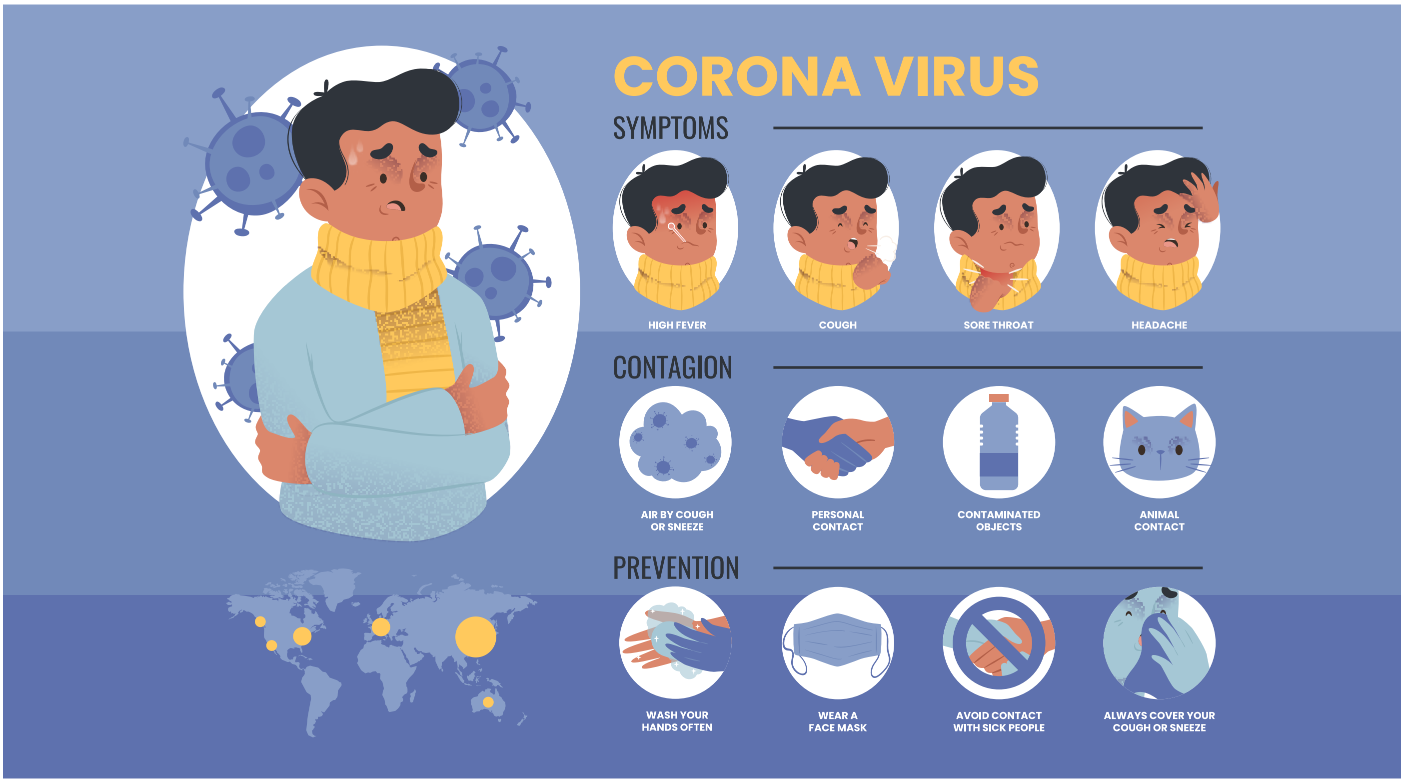
We urge the government to aggressively push the KMRC agenda and ensure it offers affordable loans to the masses in the quest increase the supply of fairly-priced homes.

Source: BUSINESS DAILY

RBA Retirement Benefits Authority

Kenya's retirement benefits eroded by corona virus

BY NJIRAINI MUCHIRA



Pension managers in Kenya project depressed growth of retirees' funds due to the Corona Virus pandemic that has negatively impacted the financial markets.

About 17.5 % of retirees' money was invested in quoted securities at the Nairobi Securities Exchange as at December 2019. This amounted to $2.1 billion, up from $1.8 billion in 2018.

In its 2019 industry report, the Retirement Benefits Authority (RBA) said: "The growth in the retirement benefits sector is projected to drop in the first half of 2020 given the effects of Covid-19, which has in the shortest time negatively impacted the financial markets and is postulated to significantly affect the global economy."

Last week Kenya's stock market plunged to a 17-year low with the NSE 20 Share Index nose-diving to 1,958.5 points, down from 2,666.9 points in January.

The report shows that efforts to encourage pension and fund managers to invest in new asset classes are not bearing fruit as most schemes continue to prefer traditional asset classes.

The lack of risk appetite by scheme managers throws into disarray plans by the Kenyan government to tap into pension funds to finance infrastructure projects.

The government had identified pension funds as a potential financing alternative for projects, and wanted schemes to pool funds to be directed towards manufacturing, food security, universal health coverage and affordable housing.

The RBA report showed that pension managers prefer to invest in safe havens like government securities, immovable property and quoted equities, while growth in private equity and real estate investment trusts remains muted.

The report shows that assets under management in Kenya increased by 11.2 % to $12 billion, from $10.8 billion in 2018. RBA attributed the growth in assets to the relative stability of the stock market during the past year.

The report indicates that pension schemes continued to invest heavily in government securities, with the asset class recording 42 % of the total assets under management, up from 39.4 % in 2018.

It was followed by immovable property, which accounted for 18.4 %, quoted equities at 17.5 % and guaranteed funds at 15.5 %.

The report shows that investment in alternative assets by schemes has gained traction with private equity and venture capital increased by 12 % from $8 million in 2018 to $9 million in 2019, accounting for 0.07 % of the total assets.

"The asset diversification remained almost similar to the previous periods with most of the asset classes recording minimal increases/decreases," stated the report.

This article was first published in

THE EAST AFRICAN

RBA allows companies to suspend retirement benefits contribution due to Covid-19 Pandemic

BY JAMES KARIUKI

Cash-strapped companies can now apply for suspension or discontinuation of employer-retirement contributions to pension schemes until the coronavirus pandemic eases.

The Retirement Benefits Authority (RBA) said employers in hardest hit sectors such as travel and hospitality can notify it of measures taken to contain costs among them suspension, reduction of contribution rates or stoppage.

"Pensionable employees on unpaid leave will be considered as being temporarily absent from work and the contributions of both employer and employee shall be suspended for the period they remain unpaid or the maximum period defined in the scheme rules. The employer and/or Trustees are advised to notify the Authority of the same," said RBA's statement signed by chief executive Nzomo Mutuku.

RBA said employers should exercise their right to vary the contribution rates adding that they can also suspend employee-employer contributions temporarily upon seeking approval from employees directly or by representatives confirming the action.

RBA, however, said companies that have filed winding up notice will bear full costs of employee and employer pension obligations.

Where employers fail to submit contributions on time, the regulator said trustees will determine outstanding amounts and deferred notice payments as well as seek RBA approval of agreed remedial action plan.

The Sh1.3 trillion pensions industry is facing it toughest test with some schemes reporting defaults by employers, a scenario that could adversely affect ability to meet member expectation during the Covid-19 period.

Association of Retirement Benefit Schemes chairman Simon Nyakundi hailed the move saying it allows employers flexibility to wade through the financial crisis.

Source: BUSINESS DAILY

Planning for Retirement? Here are the Top Dos and Donts

BY DANIEL MAINYE

Retirement should be a time to sit back and enjoy the fruits of your labour. It is when you spend more time at that house you built in Ushago (rural home), go on that dream vacation, play with the grandchildren, or take up that hobby you always wanted to learn but were too busy for. However, you choose to spend your time, the one thing you should not have to do is live hand to mouth.

Sadly, the reality is different. A whoping 80 % of the Kenyan labour force is not saving for retirement. This means that when it's time to retire, this group will not be able to sustain itself despite having worked for decades. If you do not want to fall into this category, here are a few tips on preparing for retirement:

Start Today

If you are in your 20s or early 30s, retirement seems ages away, but it is the best time to start saving. More likely than not, you have fewer financial obligations than someone in the latter stages of his or her career. Join a pension scheme as soon as you can and benefit from the compound interest. If you are not a beneficiary of an employer's pension scheme, then join your own. Many firms offer personal retirement benefits products for individuals. Do not let the most productive years of your life go to waste.

Get a Pension Scheme that Offers Medical Cover

Most insurance companies do not offer medical cover for people above a certain age bracket or with pre-existing conditions. Having just retired from a job that has been catering for your medical bills, you do not want to experience the shock of paying out of pocket when you go to hospital. This can get pretty expensive pretty quickly, eating into your savings and leaving you with nothing to live on. This is why it is crucial to join a scheme that offers medical cover as part of the package.

Don't Touch Your Pension Until You Retire

When you transition from one firm to another, your former employer will probably give you the option to withdraw your pension. This is done under the assumption that the pension arrangements will be different at your new job. Ideally, you are supposed to deposit those funds into your new scheme. However, unless you are very disciplined, you will end up spending it. Furthermore, withdrawing from your fund prematurely may come with penalties, such as forfeiting up to 50 % of your employer's contribution.

Stay Liquid

During retirement, having access to cash is necessary to help with your current expenses. If your retirement savings are tied up in assets that take a long time to sell or require a substantial loss in value to be converted to cash, it will affect your ability to pay for your upkeep, a holiday or an unfortunate emergency. You also don't want to depend on other family members for support. Financial freedom is key for a peaceful life when you retire.

Pay Off All Your Loans

Retirement should be a time to kick back and relax, which you will not be able to do if you have pending loan payments. Start paying off your biggest loans way before then. Keep the possibility of an earlier-than-expected exit in mind once you hit your 40s or 50s. Moreover, be cautious about taking on new loans if you can avoid it, especially where the repayment plan depends on you having formal employment.

Plan Your Exit

We spend a lot of time making plans for the future, but we forget how unpredictable life can be. Have you written a will? Planning for your death is considered taboo in Africa, with many people seeing it as an invitation for death. However, writing a will is the only way you can ensure that those you care about the most will be provided for in case of your unexpected demise. It guarantees that your assets will not lie idle or rot away while people fight over them. Start by having a simple will that you can update whenever there are changes in your family - a birth, death or marriage, for instance. Preparing a will might seem like a hassle, but that's nothing compared what your dependants will go through if you die without leaving one.

To conclude, preparing for retirement isn't something you start to do a few weeks in advance. It is something you should consider much earlier; as soon as you start working, if possible.

The writer is senior manager Cytonn Investments.

BUSINESS DAILY NEWS PAPER

Retirement Benefits Authority

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	NCBA 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	Alpha Africa Asset Managers Limited	2595448	34530-00100, NAIROBI
3	Altree Capital Kenya Limited	20 7605650	13442-00800, NAIROBI
4	Amana Capital Limited	2351738	9480-00100, NAIROBI
5	Apollo Asset Management Company Limited	3641000	30389-00100, NAIROBI
6	Britam Asset Managers Kenya Limited	2833000	30375-00100, NAIROBI
7	CIC Asset Management Limited	2823000	59485-00200, NAIROBI
8	Co-op Trust Investment Services Limited	3276000	48231-00100, NAIROBI
9	Cytonn Asset Managers Limited	20 3929000	20695-00200, NAIROBI
10	Dry Associates Limited	4450520	684-00606, NAIROBI
11	Fusion Investment Management Limited	2738460	47538-00100, NAIROBI
12	Genafrica Asset Managers Limited	2323343	79217-00200, NAIROBI
13	Genghis Capital Limited	0709185000	9959-00100, NAIROBI
14	ICEA Lion Asset Management Limited	2221652	46143-00100, NAIROBI
15	Kenindia Asset Management Company Limited	316099	44372-00100, NAIROBI
16	Madison Asset Management Services Limited	2864502	20092-00100, NAIROBI
17	Nabo Capital Limited	2286000	10518-00100, NAIROBI
18	NCBA Investment Bank Ltd.	2884444	444599-00100, NAIROBI
19	Natbank Trustees and Investment Services Ltd	2828356	72866-00200, NAIROBI
20	Old Mutual Investment Group Limited	2829000	11589-00400, NAIROBI
21	Sanlam Investments East Africa Limited	4967000	67262-00200, NAIROBI
22	Stanlib Kenya Limited	3268508	30550-00100, NAIROBI
23	Zimele Asset Management Company Limited	2246273	76528-00508, NAIROBI

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Retirement Benefits Authority

safeguarding your retirement benefits

Celebrating 20 Years of Safeguarding Your Retirement Benefits.

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Long Service Award Presentation

BY JANE ONYANGO

The Retirement Benefits Authority fraternity in separate events honored three long serving and dedicated employees who also happened to be pioneers of the Authority.

The three Mr. Jesse Kiptim, Zakaria Makori and Boniface Mwangangi were on different dates feted in colourful retirement ceremonies at The Sarova Panafric Hotel in Nairobi.

RBA CEO Mr, Nzomo Mutuku applauded them for being loyal and hardworking during their tenure.

The Retirement Benefits Authority Family wishes them a blissful life in retirement.

Below are snapshots from the event

RBA CEO Nzomo Mutuku (left) awards Jesse Kiptim (right), the retired Chief Manager Finance. Mr Kiptim served RBA for 19 consecutive years and left a legacy worth emulating.

RBA CEO Nzomo Mutuku (left) joins Jesse Kiptim (left) in cutting the 'last supper' cake. May his retirement be filled with 'sweetness' and bliss.

RBA CEO Nzomo Mutuku (left) joins Mr. Jesse Kiptim and other colleagues for a jig to celebrate the special moment. Mr. Kiptim urged colleagues to ensure they retire without debts and have a solid plan on how to spend retirement. Colleague after colleague recounted how Mr. Kiptim was always calm amid storms and a dependable counsellor of all seasons.

RBA CEO Nzomo Mutuku (left) hands over a certificate of long service to Zakaria Makori, the outgoing humble, inspiring and dedicated records officer. Zakaria served RBA for over two decades and at 60 he was still oozing with youthful energy. His trademark smile and easiness will be missed by many in the office

RBA CEO Nzomo Mutuku (left) hands over a long service award to Zakaria Makori on his farewell party. Mr. Makori showered praises to colleagues who supported him throughout his career.

Ready for the sunset years: Mr Boniface Mwangangi (left) a long serving clerk of the Retirement Benefits Tribunal with colleague Zakaria Makori, the RBA records officer pose for a photo on the night of their farewell party at Panfric Hotel. The duo leave a memorable legacy at the Authority.

Boniface Mwangangi (left) receives a long service award from RBA CEO Nzomo Mutuku. Mr Mutuku noted that Mr. Mwangangi had wealth of pension sector knowledge that earned him respect among colleagues. The CEO noted that the pension industry shall still need Mwangangi's services even in retirement.

RBA CEO Nzomo Mutuku (right) congratulating Boniface Mwangangi for sterling performance as a clerk of the Retirement Benefits Tribunal and an outstanding trainer on pension law.

Left to right: Mrs and Mr Boniface Mwangangi, RBA CEO Nzomo Mutuku and Zakaria Makori share a happy moment on the night of the farewell party for Mr. Mwangangi and Mr. Makori.

SPECIAL ISSUE 641

Kenya Gazette Supplement No. 37 *30th March, 2020*

(Legislative Supplement No. 24)

CORRIGENDA

IN LEGAL NOTICE NO. 198 OF 2019—

delete the expression "1st July, 2019" appearing in regulation 1 and *substitute* therefor the expression "1st July, 2020"

LEGAL NOTICE NO. 44

THE RETIREMENT BENEFITS ACT

(No. 3 of 1997)

EXEMPTION FROM COMPLIANCE

IN EXERCISE of the powers conferred by section 59 of the Retirement Benefits Act, the Cabinet Secretary for the National Treasury in consultation with the Retirement Benefits Authority makes the following Order:

THE RETIREMENT BENEFITS ACT (EXEMPTION FROM COMPLIANCE) ORDER, 2020

1. This Order may be cited as the Retirement Benefits Act (Exemption from Compliance) Order, 2020.

2. This Order shall apply to the Trustees of Retirement Benefits Schemes whose financial year ends on the 31st December 2019.

3. Exemption is hereby granted from compliance with section 34(4C) of the Retirement Benefits Act for a period of 60 days with effect from the 1st April 2020.

Dated the 20th March, 2020.

UKUR YATANI,
Cabinet Secretary for the National Treasury.

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Book Review

BY **JANE ONYANGO**

Transition into Retirement by Samson Osero, a writer and Human Resource Development Consultant, is a book that intends to make retirement purposeful, enjoyable, and fulfilling.

With his 15 years of experience coordinating pre-retirement training programs and offering employment separation counseling, Osero delves into the psychological implications of retirement, the effect it has on family relationships as well as its impact on health and lifestyle.

In this captivating book, the writer presents retirement as an adulthood phase that accords a retiree freedom, independence, and opportunity to utilize his or her knowledge, expertise and experience alongside a chance to give back to society and engage in productive leisure.

Central to this book is the idea of self-management as a way of coping in retirement. How you perceive yourself and respond to situations in retirement is a major highlight in the book that seeks to advise pensioners to handle situations with a positive attitude to shield them from anxiety, stress and depression.

Osero arms the senior citizens with self-management skills for effective retirement adjustments.

Transition into Retirement further intends to enable retirees to:

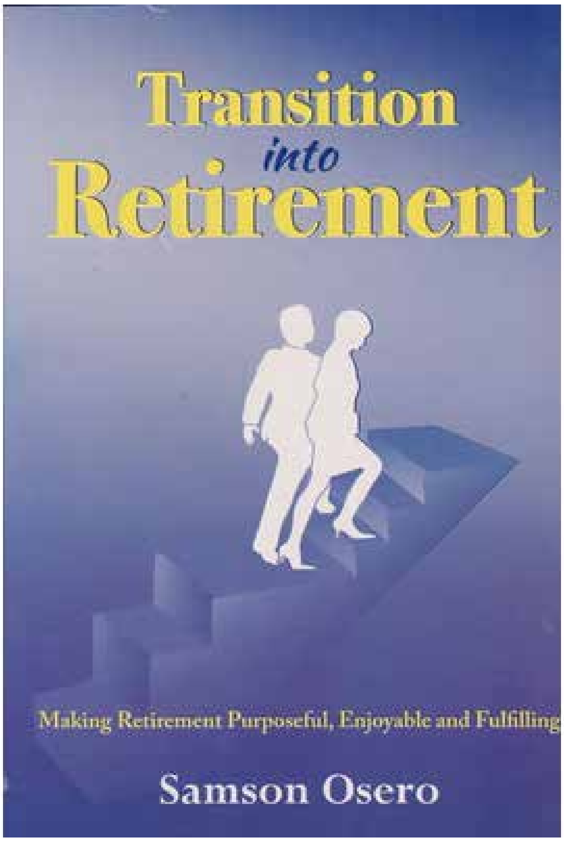
- Cope with the psychological implications of retirement.
- Develop and implement achievable retirement goals and plans.
- Enhance family relationships for home stability.
- Live a healthy lifestyle that promotes longevity.
- Manage retirement money with cautiousness.
- Start and manage a small business for income.
- Re-enter the labour market for new jobs.
- Continue trusting in God for wellness and prosperity

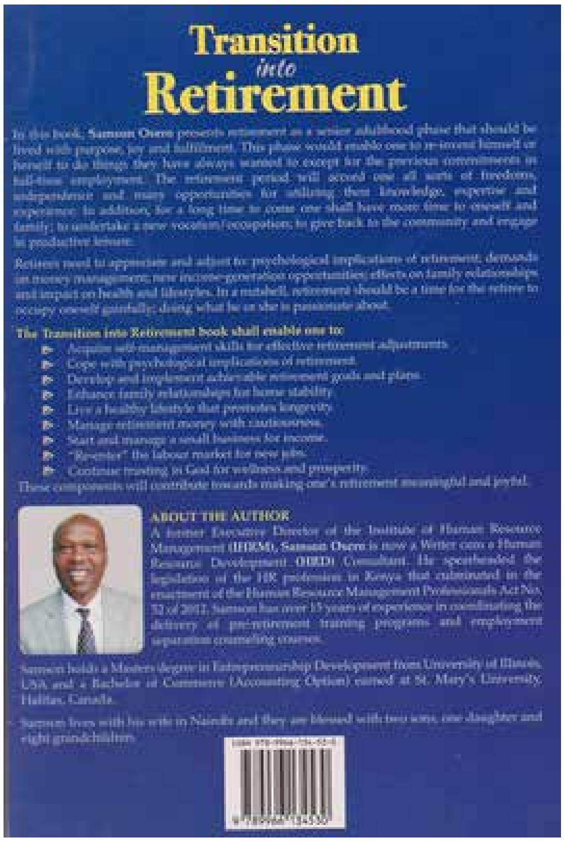
An interesting case I found in this book is how a retiree lost his lump sum within a few days of his retirement to a younger woman while others lost their pension to gambling. Osero gives tips to retirees on safeguarding their benefits. Money management tips such as financial discipline will help a pensioner adjust his or her spending habits to fit the landscape of limited finances in retirement.

Physical exercise has also been highlighted as key in promoting good health alongside good nutrition, during one's sunset years.

Osero's hope is that his book will contribute towards making retirement a joyful period contrary to the misery stories often told of retirees.

Jane Onyango works at the Corporate Communications Department, RBA.





RBA
Retirement Benefits Authority
safeguarding your retirement benefits

RBA'S MANDATE MISSION & VISION

OUR VISION:

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

OUR MISSION:

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

OVERARCHING GOAL:

"Achieve 30% pension coverage with an asset base of 2.4 Trillion Shillings by 2024."

MANDATE

1. **REGULATE AND SUPERVISE**
   The establishment and management of retirement benefits schemes.

2. **PROTECT**
   The interests of members and sponsors of retirement benefits sector.

3. **PROMOTE**
   The development of the retirement benefits sector.

4. **ADVISE**
   The Cabinet Secretary, National Treasury on the national policy to be followed with regard to retirement benefits industry.

5. **IMPLEMENT**
   All government 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 Advertisements and articles for January Edition should be received by November 15.
All Advertisement and articles for July Edition should be received by June 15.

"Half our life is spent trying to find something to do with the time we have rushed through life trying to save." – **Will Rogers**

Retirement Benefits Authority

safeguarding your retirement benefits

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