RBA

Retirement Benefits Authority

Safeguarding your retirement benefits

THE PENSIONER

A COMMEMORATIVE EDITION

20th Anniversary *Edition*

2000 - 2020

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

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For more industry updates, follow us on:

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Retirement Benefits Authority is ISO 9001:2015 Certified

Mission

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

Vision

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

Our Mandate

- Regulate and supervise the establishment and management of retirement benefits schemes;
- Protect the interests of members and sponsors of retirement benefits sector;
- Promote the development of the retirement benefits sector
- Advise the Cabinet Secretary, National Treasury on the national policy to be followed with regard to retirement benefits industry
- Implement all government policies relating to the industry

Core Values

The Authority is committed to adhere to the following core values, for which the acronym RETAIN has been adopted:

- Responsiveness: We shall respond effectively and in a timely manner to the needs of our stakeholders.
- Transparency and Accountability: We shall conduct our work in an open and honest manner and be responsible for all our actions.
- Integrity: We shall be honest, ethical and fair while delivering our services and not tolerate any form of corruption.
- Innovation: We shall constantly strive to redefine the standard of excellence in everything we do and constantly apply creative ideas to meet our stakeholders' changing needs and support innovation in the retirement benefits sector.

QUALITY POLICY STATEMENT

Proactively promoting savings for retirement in Kenya by safeguarding, supervising and facilitating the development of the retirement benefits sector through:

1. Commitment to Continued Excellence in Service Delivery;
2. Upholding Professionalism, Integrity and Sensitivity to Stakeholder Interests;
3. Operating a quality management system within the framework of ISO 9001:2015 Standard; and
4. Continually improving on the effectiveness quality management system.

SERVICE DELIVERY CHARTER

NO.	SERVICE	REQUIREMENT TO OBTAIN SERVICES	COST	TMELINE
1	**COMPLAINT HANDLING**	File an official complaint or dispute with regards to the running of retirement benefit scheme.	-	Acknowledge your complaint within 2 working days for emails and 7 working days for letters Aim to reply within 10 working days
2	**TRAINING** i. Member Education ii. Trustees Training iii. Retirement Planning	 Trustees to request the Authority Respond to the Authority's invitation Respond to Authority's invitation	-	 Reply within 7 working days
3	**REGISTRATION AND LICENSING** **a. Registration of schemes** **b. Licensing of service providers** i. Fund Managers Fee ii. Custodians Fee iii. Administrators Fee	 A4 Application form for occupational schemes, A3 forms for individuals schemes Application forms	- **Ksh. 50,000** **Ksh. 50,000** **Ksh. 50,000**	 Registration within 90 days upon receipt of required documents.
4	**INQUIRIES ON RETIREMENT INDUSTRY**	Call Us Write to Us by letter , fax or email Visit our offices	-	Answer within three rings Respond within 7 days after receipt See you within 10 minutes without an appointment or 5 minutes with an appointment

WE ARE COMMITTED TO COURTESY AND EXCELLENCE IN SERVICE DELIVERY

Any service/good rendered that does not conform to the above standards or any officer who does not live up to commitment to courtesy and excellence in Service Delivery should be reported to:

The Chief Executive Officer
Retirement Benefits Authority
P. O. Box 57733 - 00200
NAIROBI
Rahimtullah Tower, 13th Floor
Upper Hill Road, Opp.
UK High Commission, Nairobi
Tel: 2809000/0726 600 001/0735 339 132
complaints@rba.go.ke

The Commission Secretary / Chief Executive Officer,
Commission on Administrative Justice, 2nd Floor,
West End Towers, Waiyaki Way, Nairobi.
P.O. Box 20414-00200 Nairobi
Tel : +254 (0)20 2270000/2303000
Email : complain@ombudsman.go.ke

HUDUMA BORA NI HAKI YAKO

WHY YOU NEED A PENSION SCHEME

Anyone earning an income can join a pension scheme. The Retirement Benefits Authority registers all individual pension schemes in Kenya.

To join one, just visit our website for the list of individual plans and join any that offers a product that suits your income. Most individual pension plans now have flexible saving plans that fit self employed persons. The individual pension plan you desire will guide on how to join and how to exit if you need to.

Remember, saving money little by little over a long period of time will ensure you do not suffer from old age poverty. Kindly, start saving today when you have the energy to generate income. There shall come a time when you shall dearly need the savings. The time to start saving is now.

WORD FROM THE EDITOR

James Ratemo,
Managing Editor

I am delighted to present to you this special commemorative publication. This milestone publication comes at a time when the Retirement Benefits Authority is celebrating its 20th anniversary since its inception in October 2000.

Despite the fact that the pension sector is still reeling from the effects of the Covid-19 pandemic that has slammed the brakes on the world economy, there is a litany of reasons to celebrate the sector's landmarks. The future remains very bright because the industry growth has been on an upward trajectory with assets under management hitting Kshs.1,478.18 billion in June 2021 up from from Kshs. 1,398.95 billion in December 2020.

The retirement benefits assets are expected to grow in 2021 albeit at a slow pace due to the sluggish rebound of the stock market and the unpredictable effects of Covid-19's third wave.

The schemes are also expected to continue to invest in alternative

> *The future remains very bright because the industry growth has been on an upward trajectory*

assets given the broadening of the allowable investment categories and to take advantage of the public infrastructural projects under the Government's Big Four Agenda.

Did you know that you can now use part of your pension savings to purchase a residential house? Read on to find out more on what the law says on this subject.

In this publication, we have also prepared for you snippets from the Authority's 20th anniversary activities besides other commentaries from industry experts on pertinent issues in the pension sector.

Please note that 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 subsequent publications.

Enjoy the reading, follow us on twitter @RBAKenya and always remember to prepare for your sunset years.

TIPS On why a registered pension plan is the way to go

1 That are the benefits of saving through a registered pension plan?

- Provides basic/reasonable income after working life
- Prevents old age poverty
- Provides contingency funds in cases of ill health or death
- Helps avoid serious disruptions of living standards in retirement
- Safety net upon loss of employment e.g. during such pandemics like Covid-19
- Offers financial protection to dependents
- Provides for Post-Retirement Medical Fund which is normally one of the biggest costs for retirees

2 Why should you think about saving for retirement?

- Traditional system for care of the aged is dying out
- Urbanisation of lifestyles means it is no longer possible to rely on the family unit to take care of the aged
- One has to make definite arrangements during working life to care for basic necessities like food, shelter, clothing and health in old age

3 What are the benefits of saving through a registered pension scheme?

- Schemes registered with the KRA enjoy tax-free contributions of up to Ksh20,000 per month. (Ksh240,000 p.a.)
- Where one transfers gratuity to a registered scheme, the tax-exempt amount is Ksh240,000 per year (i.e. Ksh20,000/= per month)
- Investment income of the Scheme is exempt from corporation tax
- Access to housing using Pension: Pension-backed mortgage of up to 60% or direct purchase of up to 40% of accrued benefits
- Monthly pension of up to Ksh25,000/= is exempt from tax
- Members aged 65 years or more, receive both lump sum and pension tax free

4 What are your rights as a pension scheme member?

- Payment within 30 days
- Transfers within 60 days
- Options on exit: cash/defer/transfer
- Access and interrogate scheme documentation
- Attend AGMs
- Annual benefit statements
- Nominate beneficiaries

5 Are your pension savings protected by law? Yes, that is why:

- Scheme funds cannot be used to make direct or indirect loans
- Member benefits are non-assignable, except for purposes of securing a mortgage loan
- Where a judgment or order is issued against a member, no execution or attachment of any nature shall be issued against the benefits of a member
- In bankruptcy, benefits do not form part of the assets of the scheme
- In the event of death, benefits of a deceased member do not form part of the estate of the deceased for purposes of administration

STREAMLINING

THE PENSIONS SECTOR FOR NATIONAL GROWTH

Statement by Hon. Amb. Ukur Yatani, Cabinet Secretary, The National Treasury and Planning

It gives me great pleasure to join RBA in their 20th anniversary celebrations.

This is a perfect reminisce of a journey to reform the pensions sector that begun with the enactment of the Retirement Benefits Act No. 3 of 1997 and subsequent establishment of Retirement Benefits Authority in October, 2000.

The Act bequeathed the Authority a mandate to steer the retirement benefits industry through prudent regulation and supervision of the sector; promotion of development of the sector; protection of the interest of members and sponsors of retirement benefits schemes, among others.

It is pleasant to note that the Authority has made great strides in fulfilling its given mandate. Specifically, the overall performance of the industry has been on an upward trajectory over the years. Pension assets have grown from below Ksh100 billion in the year 2000 to about Ksh1.4 trillion as at December, 2020. The assets are invested in the economy under various asset classes outlined in the investment guidelines. Over the years, pension coverage has equally grown to around 22 per cent of the labour force from a paltry 12 per cent in 2000. Indeed, these milestones are worth celebrating but they should never cloud our vision for further reforms in the pensions sector. We remain committed to supporting the pensions sector in general. To demonstrate this commitment, we are developing a National Retirement Benefits Policy to harmonize all the pensions laws.

The policy will be instrumental in strengthening the legal and regulatory framework to achieve a comprehensive pension coverage across the formal and informal sectors, and better protect the interests of beneficiaries and rights of pension contributors. We are also rolling out the Public Service Superannuation Scheme beginning the financial year 2020/21. This scheme is meant to ease the pension burden on the exchequer and transition retirees from monthly salary cheque to a monthly pension payment.

In addition, the National Treasury is pursuing legal means to resolve a stalemate that has paralysed the operationalisation of the County Government Retirement Scheme, whose establishment was approved by Parliament in 2019. The scheme is meant to safeguard county government employees' benefits. Further, we are working on establishing a National Micro-Pension Scheme with a sustainable model that combines long-term saving with short-term needs that will be open to all marginalised informal sector workers who constitute over 80 per cent of Kenya's labour force.

It is also worth noting that the Authority has proactively supported two of the Government's Big 4 Agenda namely provision of affordable housing and universal health care. On affordable housing, the Tax Amendment Act amended Section 38 of the Retirement Benefits Act to allow members of retirement benefits schemes to use a portion of their accrued benefits to purchase a residential house. The Authority also rolled out the Post-Retirement Medical Fund which means retirees will be better prepared to comfortably meet their healthcare needs and access hospitals of their choice.

All these measures will see the pensions sector grow further to achieve and even surpass the target of Ksh2.4 trillion in assets and a coverage of 30 per cent by 2024 as outlined in RBA's 2019-2024 Strategic Plan.

FOCUS ON THE INFORMAL SECTOR TO REVITALISE OUR RETIREMENT BENEFITS SECTOR

Statement By Julius Muia, PhD, CBS, Principal Secretary, The National Treasury

I am delighted to join the Retirement Benefits Authority in celebrating 20 years since inception.

It is worth noting that the Authority has continued to work hard to create a favourable retirement benefits regulatory environment for both investment and coverage. Retirement benefits industry assets have grown tremendously from below Ksh100 billion in 2000 to Kshl.33 trillion as at June 2020. The sector has 3.2 million members from 1,258 schemes. This is an impressive growth in 20 years. It gives the Government an impetus to further enhance the sector's growth through innovative strategies.

It is also laudable that the Authority is shifting focus toward "formalising informality" by enhancing pension coverage to the informal sector workers. It is commendable that the Authority is actively seeking to significantly reach out to informal sector workers. This is in line with its Strategic Plan 2019-2024, which is underpinned by a new vision: "An inclusive, secure and growing retirement benefits sector".

Although the informal sector is a major employer, there are limited, suitable retirement benefits products targeting this sector. This is because earnings by business and workers in the sector are irregular, while employment is sometimes temporary. So, it is imperative that the Authority keeps working on innovative pension products and develops appropriate delivery channels that will encourage informal sector entrepreneurs and workers to save for their retirement.

The Authority is advancing the Government's agenda outlined in Vision 2030. The Vision aims to transform Kenya into a rapidly industrialising middle-income country offering a high quality of life to all citizens. The Vision is being implemented in successive five- year medium plans. We are in Medium-Term Plan (MTP) III that largely prioritises the implementation of the "Big 4 Agenda" of Affordable Housing, Universal Health Coverage, Food and Nutrition Security and Manufacturing.

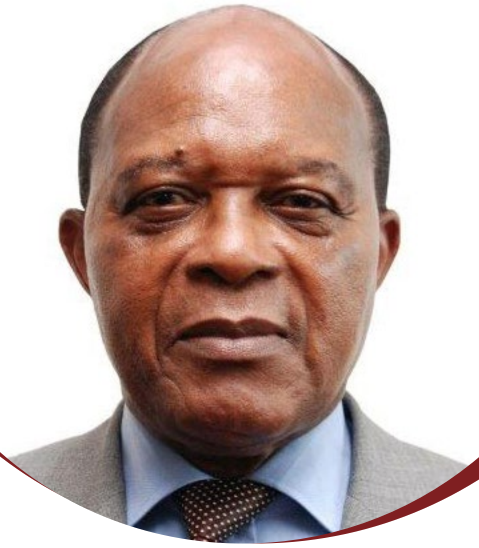
The Authority has over the years strengthened its collaboration with the national government and put in place a framework of engaging county governments to extend services to the counties.

RBA further appreciates that labour mobility across countries is common globally. So, Kenyans in the diaspora saving for their pension in countries they are residing should be able to transfer their benefits when they return to Kenya. The Authority is focusing on initiating a mechanism for transfer of benefits across borders.

I am also extremely happy that the RBA 20th anniversary is coinciding with the launch of the public service superannuation scheme. The new contributory retirement benefits scheme for civil servants commenced on January 1, 2021 under the RBA framework.

I wish to congratulate RBA for playing an important role in steering the retirement benefits industry, which has an imperative role in the financial sector and the wider economy. As the economy evolves, our industry must also adapt to continue to play this role.

FUTURE LOOKS BRIGHT AS RBA CELEBRATES 20 YEARS



Statement By Victor Pratt,
Chairman, Retirement Benefits Authority

I am delighted that the Retirement Benefits Authority is turning 20 when Kenya's pension system is one of the best in Africa, ranking second after South Africa according to the recent report on world pension schemes by multinational financial services company–Allianz.

Over the last 20 years, we have seen assets grow from below Ksh100billion back in 2000 to Ksh1.4 trillion as at December 2020. We have also seen an increase in pension coverage from 12% of labour force in 2000 to the current 22%. This is a clear testimony that Kenya's pension industry has grown and is headed to greater heights in the coming years.

The Retirement Benefits Act of 1997 established the Retirement Benefits Authority (RBA) for regulation, supervision and development of the retirement benefits sector. The Authority has remained true to its mandate leading to the tremendous development of the sector since its inception in October, 2000, a factor that has reflected in the world ranking report by Allianz.

We have continued to enlighten workers in the formal and informal sectors on the need to save more towards their retirement so as to evade old-age poverty. There has been a notion that pension schemes are only for those formally employed. However, the Authority has sought to clarify through an elaborate and all-encompassing education campaign that anybody, whether in formal employment or in business, and at any age, can start saving for retirement.

As we celebrate 20 years, it is also worth noting that the Authority has proactively supported two of the Government's Big 4 Agenda: provision of affordable housing and universal health care. For instance, recently we collaborated with stakeholders to amend the law to allow members use part of their savings to purchase houses, adding impetus to one of the government's Big 4 Agenda of affordable housing. The Authority also rolled out the Post-Retirement Medical Fund which means retirees will be better prepared to comfortably meet their healthcare needs and access hospitals of their choice.

All these measures will see the pension sector grow further to achieve and even surpass the target of Ksh2.4 trillion in assets and a coverage of 30 per cent by 2024 as outlined in RBA's 2019-2024 Strategic Plan.
One of the biggest challenges we have experienced thus far is poor remittance by schemes, particularly universities, sugar companies and some retailers. We are aware some of them have run into financial problems and stopped remitting. To this end, we have changed the law to compel them to comply and got support from government in pushing the State Corporations to remit returns.

The Covid-19 pandemic has also caused some breakdown in remittances as some employees were retrenched or establishments themselves closed shop. We are, however, hopeful that they shall bounce back as the economy recovers.
To grow the sector further, we shall continue establishing public confidence in the industry through intensive public education, consumer protection and facilitative environment for innovation. Indeed, the 20th anniversary celebrations come at a time when the Authority continues to showcase its leadership in the pension industry across the global scene.
The Authority was elected as chair of the inaugural African Pension Supervisors Forum (APSF) in 2019 and as member of the Executive Committee of the International Organization of Pension Supervisors (IOPS). This is a reinforcement of our commitment to collaborate and exchange knowledge with partners as we endeavour to steer the pension industry and the greater financial sector to greater heights.

INFORMAL SECTOR TARGETED AS INDUSTRY EYES MORE GROWTH

Statement by Nzomo Mutuku,
Chief Executive Officer, Retirement Benefits Authority

The Retirement Benefits Authority (RBA) is celebrating 20 years of great achievements while also focusing on raising future pension coverage in the country. The target is to hit 30 percent pension coverage of the labour force by 2024 from the current 22 percent.

The Authority is targeting to have more people from the informal sector join pension schemes because research has shown that the traditional system for care of the aged is dying out. In addition, as the country becomes more and more urbanized, this means it is no longer possible to rely on the family unit to take care of the aged. In the RBA 2019-2024 strategic plan, we have outlined the strategies we will use to achieve this goal.

Over the last two decades, RBA, through its activities, has helped increase pension coverage from 12 percent to 22 percent of the labour force. Within this period, assets owned by the pension sector have grown from less than Ksh100 billion to Ksh1.39 trillion as at June 2020.

The number of service providers has also increased manifold over the last 20 years. The industry now has 31 administrators, 24 fund managers, 11 custodians and more than 50 fully qualified actuaries.

Since RBA was established, the industry has witnessed some remarkable changes. The Authority has overseen the introduction of individual pension schemes for the self-employed and those in the informal sector; umbrella pension schemes for employers; post-retirement medical fund; use of pension funds in mortgages (initially, assigning 60 percent of pension funds to access mortgage and now, under a new Act, use of 40 percent of these funds to buy a house).

Additionally, the guidelines issued by RBA have aided industry players to operate under clear rules. These include: good governance and treating customers fairly, and income draw-down. Before RBA issued the latter guidelines, retirees could only take lumpsum amounts or annuities.

When the Covid-19 pandemic hit the country, pensions, just like other sectors of the economy, experienced challenges. Employers shut down operations, retrenched staff or sent them on unpaid leave.The affected employees suspended their contributions to pension schemes which had a knock-on effect on pension schemes which were affected. This saw meetings shifting online temporarily.

In the face of this unprecedented period, strong risk management measures ensured that pension schemes sustained operations. The Authority had indeed provided guidelines for schemes to diversify their investment portfolios as a way of managing risks.

We had given big schemes up to June 2020 and the smaller ones up to June 2021 to comply with these guidelines. However, because of the challenges posed by the pandemic this year, RBA is dealing with each scheme's compliance on a case-by-case basis.

Kenya has a very good retirement benefits regulatory framework that provides a safe environment for saving for retirement. The checks and balances that ensure good governance in the industry support its growth. Trustees, custodians, fund managers, administrators and RBA all have their roles, and the rules they must observe are clearly spelt out.

The reforms carried out in the industry have been positive and the mortgage rules is a prime example. Because of these reforms, I expect many Kenyans who belong to retirement schemes to seize the opportunity and use their pension savings to buy homes. The law allows pension scheme members to use up to 40 percent of their savings or Ksh7 million to buy residential houses. Trustees have until September 2021 to amend scheme regulations accordingly. The problem of some sponsors delaying to remit pension scheme members contributions is being addressed.

This challenge has been prevalent mostly with counties and the former local authorities, public universities, the sugar sector and the retail sector but the Authority is determined to solve it so as to not only protect the members' retirement benefits, but also create a good living ground for a robust pensions sector that benefits all for national development.

IT HAS BEEN A REMARKABLE AND FULFILLING JOURNEY.'

RBA veterans tell their stories

'Your most important work is always ahead of you, never behind you.'

This inspirational quote by Stephen Covey, the American educator and author, aptly sums up the attitude and aptitude of staff at Retirement Benefits Authority.

This spirit has made them an integral part of the success the institution has accrued since its inception two decades ago. More particularly, the long-serving staff who by virtue of their experience and institutional memory have become treasured role models and invaluable human capital for the rest of the staff at the Authority.

To acknowledge and celebrate their contribution in RBA's incredible success story, **The Pensioner's Jane Akinyi** spoke to some of them and below are excerpts of their reflections.

John Osogo
Deputy Manager- Finance
Years in RBA: 20

'I started out as a management trainee and rose through the ranks to become the finance manager. And, there hasn't been a single case of fraud in the finance department! Our suppliers are paid in good time. There are no pending bills. Staff salaries are prompt. I'm proud of the clean audit report issued at the end of every financial year, for many years now. Frankly speaking, I've enjoyed my stay here. We have the best mortgage facility, good pension arrangement, competitive remuneration packages, and a robust programme for skills development. RBA is indeed the employer of choice'.

Samuel Kimosop
Deputy Manager, Human Capital Development & Administration
Years in RBA: 20

'I call RBA my family because when we started off, and my colleagues will tell you this, we knew each other's spouses and children by name. It's been a wonderful experience. The family has blossomed. So, this isn't just a corporate anniversary, it's a celebration of a family that stood together, defying all odds. It's hilarious that when we started, we only had one laptop on the 14th floor. Logging in was in turns. Surprisingly, we never jostled and quarrelled over that single gadget. Order and patience always seemed to prevail, everyone waited for their turn. I remember with nostalgia. And, yes, each staff now has a laptop! Congratulations are in order for the RBA family. Happy Anniversary to us all'.

Peter Ngunyi
Manager, ICT
Years in RBA: 20

'Twenty years ago, we had nothing. Today we have an automated ICT system that reliably and efficiently serves RBA staff, suppliers, service providers, fund managers, and custodians. Our stakeholders can access our platforms from any location. I don't envy the days when long queues formed outside our offices with clients waiting to manually submit bundles of audited accounts, financial reports and levy cheques. These days, the reports are submitted online, and this has greatly improved service delivery. Despite the fact that going digital encountered a lot of resistance from stakeholders on the grounds that online transactions were prone to glitches and the security of documents couldn't be guaranteed, I am happy that we turned that page successfully and won the full confidence of our stakeholders. We invested heavily to protect online industry data and that of staff. I'm full of pride and joy because of these milestones. It's been a truly incredible and exciting journey.'

Michael Mwangi
Communications Officer
Years in RBA: 20

'From a driver to a communications officer! Can you believe that? My journey at RBA has been very inspiring. In 2000, I walked in with just my driver's license. Today, I'm a certified procurement officer and a public relations professional. I went back to school, studied supply chain and later, public relations. That's how I got promoted from a driver to a procurement clerk and finally to a communications officer. I've trained locally and abroad. I truly value the skills I've acquired along the way. In a few months' time, I will walk into retirement with strong sense of fulfilment. I can confidently say I impacted many lives; that I made my contribution in eradicating old-age poverty. It's quite gratifying. I wish the entire RBA family, friends and stakeholders, a happy 20th anniversary and many more years to come filled with promise and success'.

Priscilla Macharia
Deputy Manager, Procurement & Supply Chain
Years in RBA: 20

'I laud the RBA management for the great leadership over the last 20 years. The bottom-top approach that engaged staff in system and policy development has been the reason for our incredible success story. Looking back, those were interesting times when I joined. The industry was small and somewhat uncontrolled. There were no proper structures and regulations in place. However, we turned the industry around over the years through aggressive marketing and awareness campaigns. RBA leadership has been visionary and progressive. Guided by consistent goals and objectives, this has served as the recipe for RBA's success. Today, the industry is vibrant. I am very delighted to have been a part of this remarkable growth. I look forward to another two decades of growth and prosperity.'

Anne Mugo
Chief Manager, Market Conduct
Years in RBA: 20

'I'm proud that pension schemes now exist in harmony. Most of them, if not all, now have proper structures and are compliant. It wasn't that way in the beginning. It took us years to bring order and discipline to the industry. This was mostly through sensitisation. A coherent regulatory regime is now in place. Training of industry stakeholders has built requisite skills and human capital in the sector. Reforms have been introduced in various schemes, including the civil service and county governments. Looking back, these have been 20 extraordinary years for me and I'm happy to have been a part of this historic two-decade journey. Congratulations to all of us on this big occasion, and many wishes for future success.'

Tom Kiptanui
Manager, Market Conduct
Years in RBA: 20

'I joined RBA in 2000 as a management trainee, rose through the ranks up to management level. This celebration is about the confidence Kenyans have in RBA. Numbers don't lie and they're proof the industry has faith in what we do. Let's continue delivering on our mandate by instilling more confidence and encouraging pensioners to make additional voluntary contributions. It's achievable! To the sector players, you have a reliable partner in RBA. Thank you for being part of our incredible corporate success. We greatly appreciate and value your hard work and contribution. To my colleagues in RBA, a big round of applause for making this organisation great. Let's recalibrate our goals and aspirations with a view to making even bigger strides in the years to come. It has truly been humbling to be a part of this great institution. Happy 20th anniversary!'

Faith Muindi
Customer Care Officer
Years in RBA: 20

In July 2000, I walked through these doors as a receptionist telephone operator. Ever since, I've grown both individually and professionally. I moved from manning the reception to customer care, and now I'm in corporate communications where I love organising and carrying out trainings in the informal sector. The key message we put across during these activities is the ever-important value of saving for retirement. We target mama mbogas, jua kali artisans, shopkeepers, boda bodas, and other skilled and unskilled players in the sector. I'm elated to have interacted with very many people and shared different cultures both locally and abroad. It has truly been a rewarding experience for me and as we celebrate 20 years, I'd like to commend our CEO for a job well done. May you continue to inspire us for many years to come. Happy anniversary team RBA!'

Praxicedes Maitha
Supervision Officer
Years at RBA: 20

'My 20 years with the Authority have been exceptional. RBA is a good employer: we have decent medical cover, tuition and skills development programmes and exciting internship opportunities. I've seen interns join us and get absorbed and promoted to management levels. We're also a good corporate citizen who gives back to society through our CSI/CSR programmes. These days, people live longer, and for that reason, we need to have a robust retirement model to avert old-age poverty. I understand Canada has a unique pension model with which I suggest we benchmark to improve things here at home. It's been a great journey working at RBA but, we still have room to do better. To my fellow teammates. Keep up the good work! Happy anniversary!'

RBA'S MASS EDUCATION DRIVE TO PROMOTE SAVINGS FOR RETIREMENT COMES OF AGE

By Jason Nyantino

Retirement Benefits Authority (RBA) has invested heavily in education and sensitisation to inculcate a culture of saving for retirement among Kenyans, top executives at the pensions' regulator have confirmed.

Established two decades ago with the mandate of regulating and supervising the establishment and management of retirement benefits schemes, RBA has been working to streamline the systems and processes in the multi-billion-shilling pensions industry through coordinated stakeholder sensitization forums.

"We've undeniably invested in sensitising the masses and educating the industry stakeholders on the best practices," says Elizabeth Waruinge, the Risk and Internal Audit Manager at RBA.

"After two decades, having started with the very bare minimum where procedures and processes were ad hoc and unclear, I'm satisfied with the skills and sound structures that are in place today."

When RBA was set up, there were many challenges mainly attributed to cultural considerations where social safety net in old age was not entirely built on the foundation of pension savings. Large pockets of the population still believed in deriving social support from their children upon retirement. However, the gradual evolution of society has weakened or has shattered this social fabric that held the family together, and somehow guaranteed critical support in old age.

"Banking your dependency on offspring in retirement is a fallacy and a myth," John Keya says as he advises Kenyans to save for their retirement. "The need to save for retirement cannot be overemphasised. Times have changed, our culture is fading, and children are no longer a reliable retirement plan," he cautions. "We have to adapt to the changing times. We must save and keep saving," he insists.

With this expert caution, therefore, it was clear for RBA management that a culture change was mandatory from the very outset. An intense and well-coordinated countrywide advocacy programme needed to be rolled out to tackle this cultural hurdle. In this advocacy programmes, RBA has always emphasised choice as the guiding principle in making the decision to participate in pension contributions.

"The choices you make today will determine your comfort during your sunset years," Waruinge posits. "And this goes for both the formal and informal sectors. Saving for retirement gives you a safety net upon loss of employment and offers financial protection to your dependents upon death," the risk manager advises.

An unplanned exit into retirement is inherent with risks though, and this includes anxiety, and even depression in some cases. The inability to meet daily obligations can weigh down individuals who spent most of their lives as independent entities.

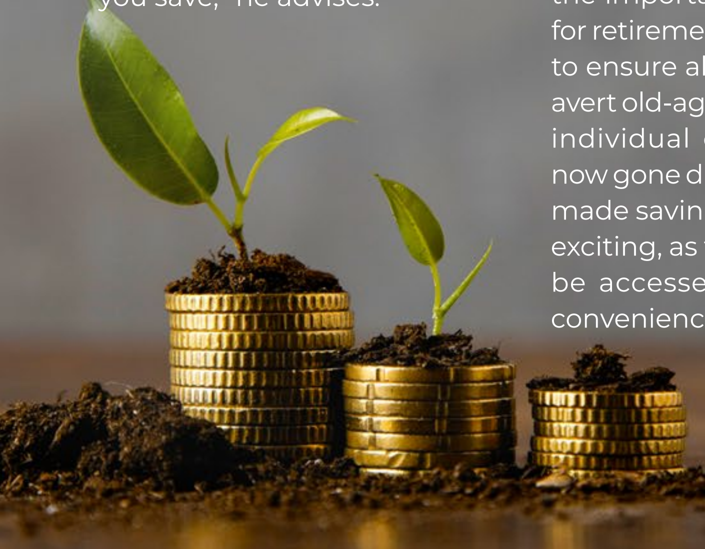
"I've seen people die within a few years of retirement after years of laborious saving went up in smoke due to bad advice, and sometimes over-ambitious, investment undertakings. Professional guidance in these initiatives cannot be overstressed," observes Lazarus Keizi, a research and development expert at RBA.

"Cases abound where retirees invest huge sums of money on ambitious projects that stall within a year or two of retirement," Keizi says.

"Having spent colossal amounts of their pensions on white elephants, these retirees sink into depression and some, unfortunately, pass on," he cautions.

In view of this, RBA outreach and sensitisation teams spend time encouraging young people to start saving as soon as they enter into employment to develop a culture of investing while still young.For many employees, retirement can be abstract, something distant and far removed from their reality. Yet, it eventually comes knocking. Therefore, living in denial of retirement, in this instance, has proved to be counterproductive.

"Retirement is a reality," Jackson Nguthu, a manager at the Supervision Department, notes. "If you acknowledge and recognise this fact, you'll be happy when you retire with a solid pension and adequate healthcare benefits. But only if you save," he advises.



A study by RBA in 2018 revealed that 4 percent of Kenyans are reluctant to save for retirement for fear of losing their money. According to the survey, this group believes that their benefits may not be available upon retirement.

Pension savings are protected by a statutory and regulatory framework, which contains a raft of very stringent laws and regulations. These have evolved over the years and are in effect, what makes pension contributions very secure.

It's highly unlikely, therefore, that an employee's contributions would be unavailable upon retirement, an excuse that many more could be latching on not to save. Furthermore, the sound governance structures and safeguards that have been put in place for retirement benefits make this fear unfounded.

The regulatory mechanisms and frameworks are also constantly being reviewed in line with the needs and demands of the industry. That said, this apparent distrust shouldn't serve as the smokescreen that distracts from the important task of planning for retirement. RBA's mandate is to ensure all employees save to avert old-age poverty. With most individual contribution plans now gone digital, innovation has made saving much easier, even exciting, as these platforms can be accessed online from the convenience of a mobile phone.

Crucially, RBA has also introduced a post-retirement medical scheme and mortgage regulations for housing. This is good news for all those who have enrolled in pension savings because accrued benefits can be used to secure a mortgage. Furthermore, the funds provide a reasonable source of income for basic needs in retirement.

"Looking back, it's fair to say that it hasn't been a walk in the park," concedes Nguthu, but reassures: "One thing is for sure, our commitment to safeguarding your retirement benefits is sound and solid."

Anne Mugo, Chief Manager Marketing Conduct department, says: "Tomorrow exists in your pension. RBA is here to ensure that your contributions are invested wisely and that you receive timely payments upon retirement."

The Authority, she says, has various programmes to sensitise employees approaching retirement to cushion them against the shocks of sudden life changes and enable them to live comfortably upon exiting employment. "We teach you how to manage your benefits, your health in old age and the psychological issues that arise from retirement. Feel free to check our website for upcoming training programmes and other calendar events."

RETIREMENT BENEFITS AUTHORITY GIVEN MORE TEETH TO CUSHION RETIREMENT BASKET

By Laura Okari

It has been 20 years of growing and safeguarding Kenyans' retirement benefits with the Authority putting in place a raft of measures to deepen service delivery and cushion the safety net for the elderly. Speaking during the Authority's 20th anniversary, Retirement Benefits Authority (RBA) CEO Nzomo Mutuku called for bolder policy measures, urging stakeholders to make pension contributions compulsory and called for more tax breaks to excite growth in the sector.

He was optimistic about the sector, saying the industry registered massive growth to cross the Ksh1.4 trillion mark, despite the pensions sector having been hit by the Covid-19 pandemic.

This comes on the backdrop of steady accumulation of the asset base having grown from Ksh44.7 billion in 2001 to Ksh450 billion in 2010.

The asset base further soared to Ksh1.39 trillion in December a2020, with the Authority's 2019-2024 strategic plan projecting that the asset base will hit Ksh2.4 trillion by 2030. Pension coverage soared from 13 percent in the year 2000 to 15 percent in 2010 and hit 22 percent in 2020.

The Authority expects to hit 30 percent coverage by 2030 as projected in the 2019-2024 strategic plan. The CEO said a lot of things must be put in place to ensure the sector reaches the heights it plans to scale, and dealing with pension funds' mismanagement is among the topline plans.

For a very long time the country has encountered cases of pensioners dying chasing their retirement benefits which should not be allowed for a number of reasons.

This hurts the ageing Kenyans when they need help the most, and above all, it will also set bad precedence and becomes an impediment to new members who want to save for retirement.

"The Authority has implemented a risk-based supervision approach for monitoring the performance of schemes thus reducing cases of mismanagement," the CEO said during a virtual conference attended by industry players.
Further, RBA has separated roles to ensure service providers oversight each other to complement the Authority's watchdog role, adding that the safety of a pension fund is enhanced by its structure with the trustees.

To ensure the interests of members' funds at all times, there is need to appoint an independent Fund Manager and bank as the custodian, who can deal with pension scheme assets such as cash and other investments.

The fund administrator must maintain accurate records of all contributions made by members and all benefits paid to them. This separation of roles ensures good governance, transparency and accountability with regard to decisions made on behalf of members.

"In the unlikely event of mismanagement, RBA implements remedial plans which include onsite inspections, appointment of interim administrators where necessary, and if need be appply to Court to commence involuntary winding up proceedings," he said.

To deal with emerging governance issues associated with growth of the pension industry, Nzomo said the Authority has issued good governance guidelines which are currently being implemented by both schemes, Trustees, Service Providers and Sponsors. There is also an ongoing programme to sensitize scheme members on their rights and responsibilities as an extra cushion against mismanagement of the pension funds.

A complaints mechanism has been implemented and scheme members are entitled to lodge complaints if scheme trustees fail to address their concerns.

The Authority has power to sanction and prosecute any trustees or any person who fails to follow the law with regard to management of pension funds. RBA also collaborates with other financial sector regulators including Capital Markets Authority, Insurance Regulatory Authority, Central Bank of Kenya and Sacco Societies Regulatory Authority to undertake joint monitoring and intelligence sharing to mitigate any unscrupulous behaviour in the management of pension funds.

For example, Kenya Revenue Authority (KRA) was recently given the power to attach bank accounts of employers who fail to remit workers' contributions to pension schemes in a raft of measures to further safeguard contributors.

The move also empowers RBA to ensure Trustees appoint KRA as an agent to recover unremitted contributions, interests and penalties where the RBA feels that the trustees have failed or have not made reasonable effort to recover the contributions.

The National Assembly amended the Retirement Benefits Act (RBA) to authorise KRA to pursue defaulters on behalf of retirement schemes which means the Trustees of pension schemes will now be required to write to RBA for approval and further appoint KRA as an agent to collect unremitted contributions, interests, and penalties where an employer has failed to remit employees' pension dues.

Once appointed, the KRA will issue a 21-day notice in writing to the defaulting employer requiring it to pay the unremitted contributions, interests, penalties and recovery costs.

RBA HAILS RISK-BASED APPROACH TO MANAGING PENSION FUNDS AS IT MARKS 20TH ANNIVERSARY

By Belinda Mulindi

Retirement Benefits Authority (RBA) risk-based supervision approach for monitoring the performance of pension schemes to reduce cases of mismanagement is working well, the Authority's CEO Nzomo Mutuku has announced.

The move is meant to curtail funds mismanagement cases encountered by pensioners to ensure that pensioners do not die while chasing their retirement benefits, said the CEO during a virtual conference moderated by KTN's Akisa Wandera as part of a series of activities organised to mark RBA's 20th anniversary.

"We found a risk-based solution and I am delighted to report back that it is working. All schemes are assigned a risk rating with a maximum risk rating of 5 and a minimum rating of 1," he told various stakeholders who turned up to celebrate RBA's milestones over the last two decades.

He said that despite facing some challenges in her 20-year journey, RBA remains proud to commemorate a historic milestone of its own, celebrating two decades of an inclusive, secure and growing retirement benefits sector.

The Authority's robust performance since the year 2000 is a testament that it has grown in line with its mission, to proactively promote savings for retirement in Kenya through safeguarding, supervising and facilitating the development of the retirement benefits sector.

The CEO said, to celebrate the achievements and reminisce on challenges of the past years, RBA will continue hosting special events throughout the year with its customers, collaborators, and employees while still looking forward to future opportunities.

Discussing the sector with other panelists during the virtual conference beamed live from Bomas of Kenya to various digital platforms, Mr Mutuku said that it had been twenty years of growing and safeguarding Kenyans' retirement benefits with asset base having grown from Ksh44.7 billion with a pension coverage of 13 per cent of the labour force in 2001 to Ksh450bn in 2010 and now sits at Ksh1.39 trillion as at December 2020.

"This is no mean feat considering the pushback the Authority received when we first began our operations. RBA's projected asset base in the 2019-2024 strategic plan is Ksh2.4 trillion with a pension coverage of 30 per cent," he said.

RBA has played a pivotal role towards the development of Kenya and its people by providing an effective pension policy that acts as an important stimulant to economic growth and development.
Kenya Pension System is ranked No. 2 in Africa by the Allianz Pension Report 2020.

The Authority continues to seek opportunities to contribute towards the growth of the nation even further through the introduction of new pension innovations to its ever-growing repertoire. They are individual pension plans, umbrella schemes, income drawdown, alternative investments, governance, expenses guide, post-retirement medical fund and mortgage to name but a few.

The Covid-19 pandemic hit the pensions sector as hard as it did to the others. This led to declining pension contributions due to job losses and unpaid leaves, suspension of contributions by sponsors, investment losses due to the high volatility in the capital markets and challenges with meeting compliance requirements that had to be postponed or shifted to online channels.

The CEO said security of a pension entity is the quality of its corporate governance, especially for risk or investment management.

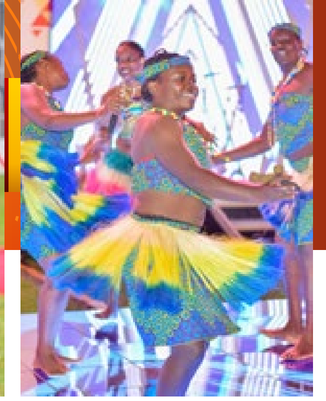
"Apart from monitoring compliance, RBA aims to provide guidelines that are especially important for trustee-based systems. Investment diversification of demographic risk, information disclosure, data protection and consumer protection through complaints handling and clarity of communication with members," he said.

His advice to all participants was apt: "As you near retirement, start planning on what you shall do with your extra time. Retire into something. Before you retire, clear all your loans. Acclimatize with your new home if you intend to relocate to avoid village shock and be close to friends, relatives because they will be your support system. Lastly attend retirement planning seminars, RBA offers them free of charge."

Retirement Benefit Authority is not only a pension institution, but a reputable and responsible corporate citizen. The Authority is committed to contributing towards various stakeholders in the communities in which it operates.

RBA 20TH ANNIVERSARY *Pictorial*

for The Gala Night & Virtual Conference



20th ANNIVERSARY
#RBAturns20







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Retirement Benefits
Mortgage
Individual Pension Schemes


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Pension
Mortgage

" KENYA'S PENSIONS INDUSTRY HAS A PROMISING FUTURE " RBA CEO SAYS

*The Retirement Benefits Authority (RBA) celebrates its 20th anniversary as the pension sector regulator. Writer **Jane Akinyi** sat down with the CEO, Mr Nzomo Mutuku, as he reflected on the past two decades, the present, and the future of the pension industry. Below are excerpts from their conversation.*

Q. Twenty years on, what would you say you're proud of as an organisation?

A. It's been a very exciting journey, to say the least. The pension industry has witnessed tremendous growth in pension coverage and asset base. Coverage of the labour force now stands at 22 percent up from 12 percent, when we started way back in 2000. This is an encouraging sign of growing confidence in the sector. In 2001, our assets were worth less than Ksh100 billion but today we've hit the Ksh1.3 trillion mark, and are very excited with this growth trajectory.

Before the inception of RBA, we barely had regulations governing pension schemes in this country. However, things are different now. Last October, for instance, we launched a new trustee development curriculum to inculcate good governance. The last couple of years have witnessed a rapid rollout of new digital pension products. More individual and umbrella pension schemes have been registered. Additionally, and this is quite significant, we've introduced a post-retirement medical scheme and mortgage regulations for housing. So much promise and potential exist that I'm already, in a sense, looking forward to yet another two decades of super growth.

Q. Certainly it hasn't been all rosy. What are some of the challenges RBA has experienced in this journey?

A. Frankly, it hasn't been easy. A case in point is the conversion of the civil service scheme from defined benefits to defined contributions. It took rather long, but finally, it did take effect, coinciding with our 20th anniversary. This made it quite momentous and historic.

Member contributions started in January. In the fullness of time, the scheme will likely lift the pension burden from the Exchequer.

Non-remittance of pension deductions, notably from public universities and the sugar sector, has been a major drawback. The issue is, however, being addressed jointly with the National Treasury. The good news is that RBA now has the power to compel defaulters to remit deductions or sanction them.

Early access to pension funds isn't in the best interest of the industry. Fund managers are concerned that the decree that gives employees access to employers' contribution of their pension before retirement depletes the investment pool. This happens when employees change jobs late in their careers before they attain statutory retirement age.

That said, I wish to point out, however, that the biggest challenge the industry has faced in the last two decades came in early 2020, when the world faced an unprecedented global health crisis. The economic downturn as a result of Covid-19 pandemic remains unparalleled. Several schemes suspended contributions. Many employees were retrenched, forced to take pay cuts or sent on unpaid leave! It was the worst of times. In spite of the ravages of the pandemic, the pension industry outlook inspires optimism. Things are picking up, albeit gradually.

Q. Are there milestones you wish to highlight as having defined RBA's 20 years?

A. The rollout of RBA Regulations in 2000 set the pace for the sector to grow. Since then, we have introduced various conduct regulations and industry guidelines. As I mentioned earlier, we recently unveiled a new curriculum that requires all scheme trustees to be trained and certified within six months of appointment.

We are also taking a risk-based supervision approach in managing the schemes. The move is intended to safeguard employee retirement benefits.

In March 2019, we launched a strategic plan that set out our roadmap for the next five years. We realised the huge potential in the informal sector, which over the years remained untapped. The pension industry, as previously designed, was overly reliant on the formal sector to generate revenue. But for an economy in which the informal sector is a key player, the approach proved unsustainable. So, we changed things.

But I guess my proudest moment was our ISO Certification; this happened around 2015. It was again both momentous and historic. I couldn't be much happier about where we have come from over the years and the promising future that lies ahead.

Q. What's the future like for RBA? What goals have you set and how do you intend to achieve them?

A. We intend to increase industry assets to Ksh2.4 trillion by June 2024, as envisioned in our strategic plan. We also want to grow coverage of the labour force to 30 percent and more as we tap into the informal sector, which constitutes up to 80 percent of the catchment.

Among our immediate interventions is to bundle up insurance and credit to the retirement plan to attract these non-salaried workers, who form the bulk of workers in Kenya. The 2019-2024 blueprint envisions a product with a broader scope beyond just savings. The product will open the doors for informal sector players to borrow against what they have saved for their sunset years. The implementation began in July 2019.

We also plan to leverage digital technology and automation, diversify investment portfolios, forge new alliances, and invest in innovative strategies. As a regulator, we will continue to make sure schemes do the right thing.

RBA will continue with pension education and outreach programmes across the country. We will use our social media platforms to our advantage, targeting young Kenyans to educate them on the importance of saving for retirement.

Finally, the tax incentives that have remained unchanged for over 16 years do not provide adequate incentives for pension savings; we are working to change this to increase pension uptake.

Q. What does this anniversary mean to you? And, what would you say are some of your greatest accomplishments?

A. This anniversary means a lot to me. I'm particularly proud of our growth rates over the years. The industry has grown significantly and is steadily expanding its base to accommodate the informal sector. The management of schemes has also greatly improved; it was much harder in the early days.

My experience as the CEO and the opportunities it has presented along the way has been rewarding. I have travelled the world, met a lot of amazing people and exchanged invaluable ideas. Do you know that we got elected to the Executive Committee of the International Organisation of Pension Supervisors (IOPS)? As an executive member for the next two years, our key role is to guide the supervision of private pension systems across the world. Our leading role in Africa's pension industry also remains unchallenged. RBA currently chairs the newly created Africa Pension Supervisors Forum.

RBA is indeed making a difference in people's lives. It was particularly gratifying when one retiree, Mr Titus Nyanzu, attended our pre-retirement seminar a few years ago. After the training, he adopted our retirement model, achieved his goals and now lives a comfortable life. I'm pleased that the effort paid off; he occasionally accompanies us to our seminars to share experiences and motivate employees approaching retirement.

Indeed, it has been an incredibly worthwhile journey for me, and even though we could not hold a bigger party because of the pandemic, today's memories remain treasured.

Q. What is your message to RBA staff and the pension industry stakeholders?

A. We were just a small team in a challenging business environment when RBA was founded. Over the years, we've recruited more staff, gathered a lot more experience along the way and forged new partnerships. To RBA employees, the long-serving and the more recently recruited, I extend my sincere gratitude to you all for being part of this inspiring journey. I'm truly grateful for your service and dedication. Let our core values continue to be our guiding principles. Congratulations!

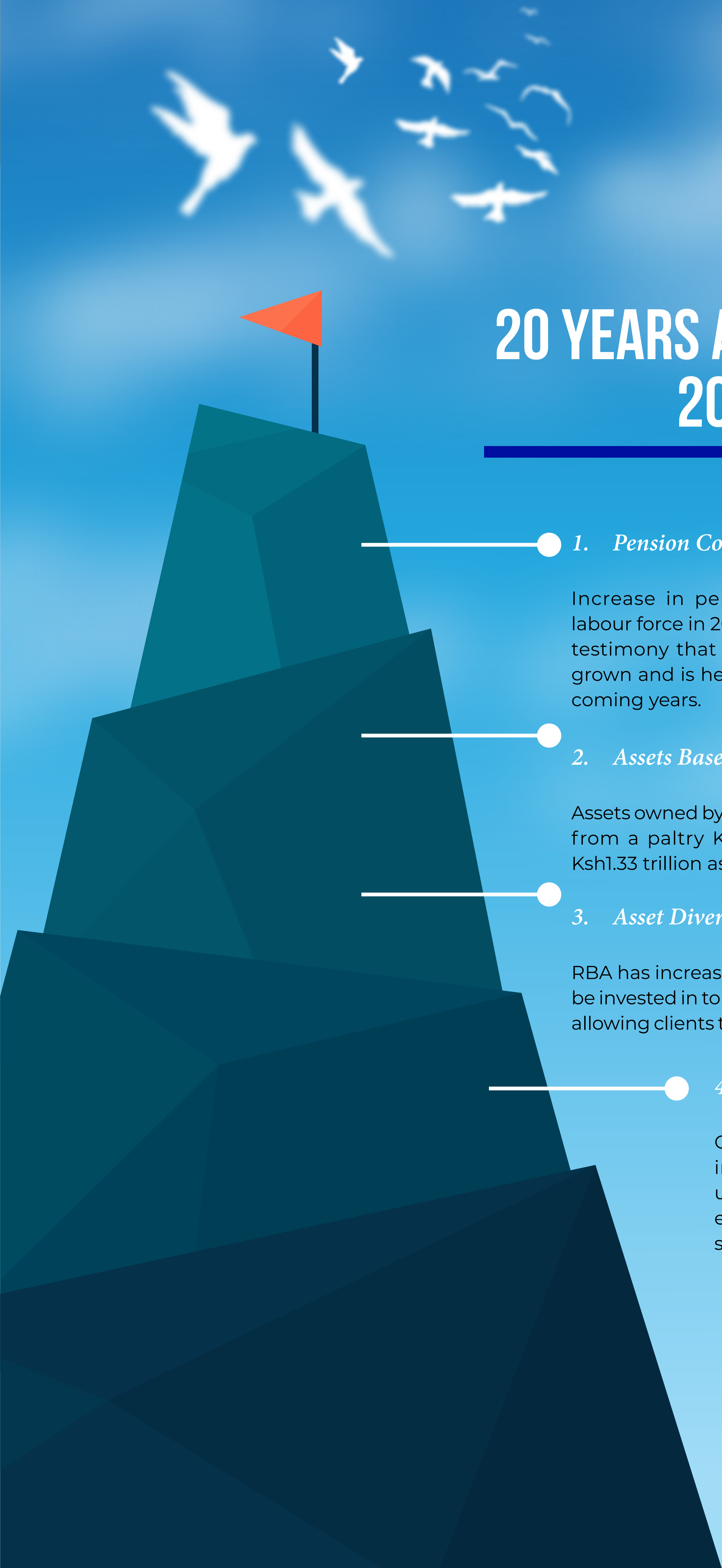
To our stakeholders, I say thank you for your continued support and commitment. I feel proud when I look back on what we've achieved together; you've made our success possible by supporting our policies, goals and objectives. Without you, we couldn't have accomplished much. Asante sana!

Q. Finally, what message do you have for Kenyans as you pop champagne and cut the cake?

A. Covid-19 has taught us the critical lesson of preparedness, putting in place contingency measures in the face of an emergency of such unprecedented scale and scope. Let us plan for our retirement today when we're still energetic and able to create wealth. It's wise to start saving early to have enough funds to meet your day-to-day financial obligations and maintain your standard of living even in old age. Like the 3.2 million Kenyans, I implore you to join any of the registered 36 Individual Pension Plans today and start saving towards your retirement.

" Don't simply retire from something; have something to retire to. "

~ Harry Emerson Fosdick



20 YEARS ANNIVERSARY 20 MILESTONES

1. *Pension Coverage:*

Increase in pension coverage from 12% of labour force in 2000 to the current 22% - a clear testimony that Kenya's pension industry has grown and is headed to greater heights in the coming years.

2. *Assets Base:*

Assets owned by the pension sector have grown from a paltry Ksh40 billion back in 2000 to Ksh1.33 trillion as at June 2020.

3. *Asset Diversification:*

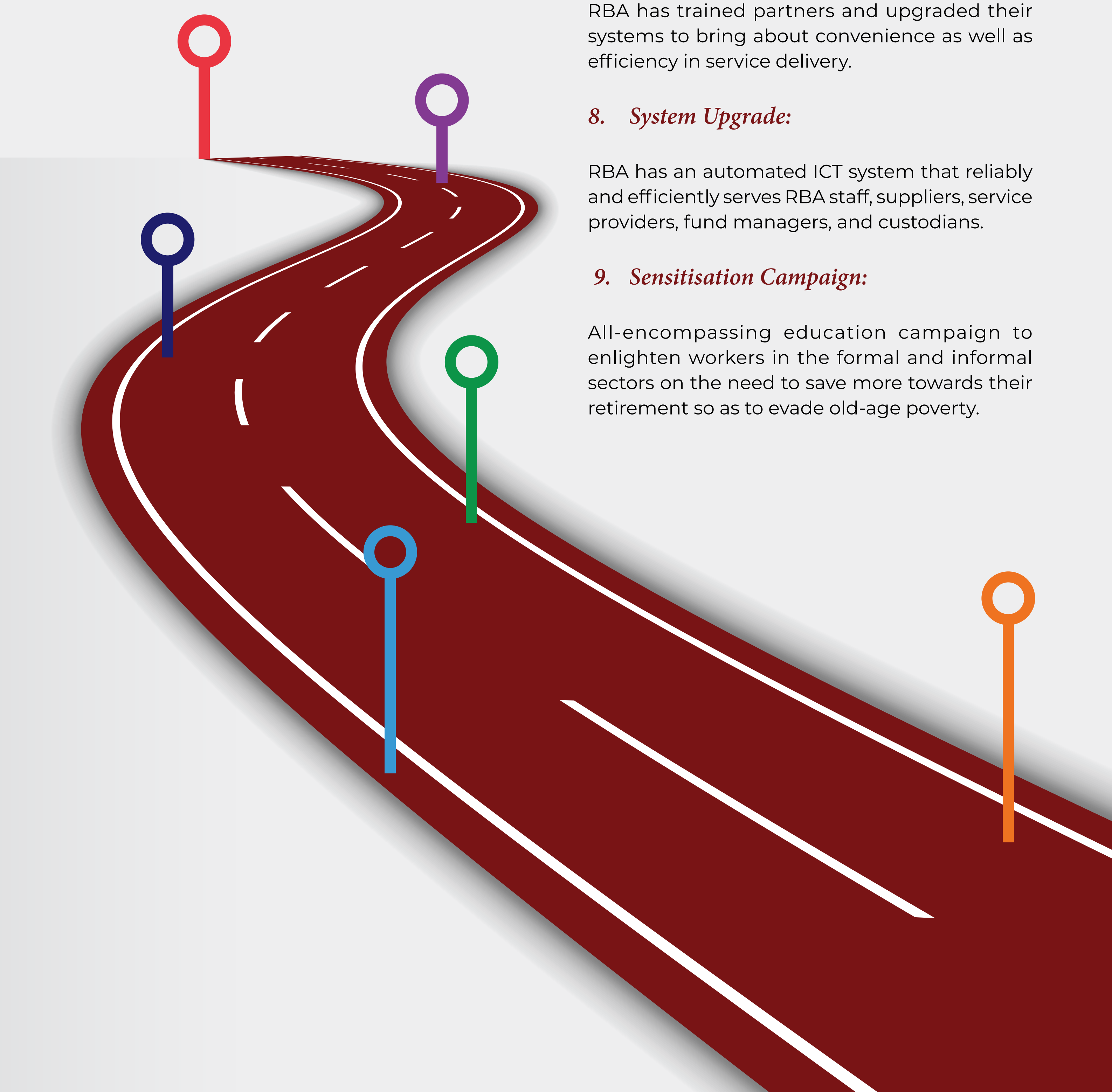
RBA has increased the scope of assets that can be invested in to include private equity and ETFs allowing clients to spread their risk and diversify.

4. *Wider Retirement Net:*

Occupational schemes, individual pension plans, and umbrella schemes which cover employers without occupational schemes have been registered.

5. *More Industry Players:*

More service providers over the last 20 years. The industry now has 31 administrators, 24 fund managers, 11 custodians and more than 50 fully qualified actuaries.



6. *Staff Development:*

Enhanced skills and capacity development for dozens of RBA staff through continuous training programs.

7. *Capacity Building for Partners:*

RBA has trained partners and upgraded their systems to bring about convenience as well as efficiency in service delivery.

8. *System Upgrade:*

RBA has an automated ICT system that reliably and efficiently serves RBA staff, suppliers, service providers, fund managers, and custodians.

9. *Sensitisation Campaign:*

All-encompassing education campaign to enlighten workers in the formal and informal sectors on the need to save more towards their retirement so as to evade old-age poverty.

10. Security to Contributions:

Separation of trustees from the sponsors has guaranteed independence in the running of pensions affairs thus gaining more confidence from members. Trustees, custodians, fund managers, administrators and RBA all have their roles and the rules they must observe clearly spelt out.

11. Global Recognition:

RBA continues to showcase its leadership in the pension industry across the global scene. Kenya's pension system is one of the best in Africa, ranking second after South Africa (Allianz World Pension Scheme Report). Authority elected Chair, the inaugural African Pension Supervisors Forum (APSF) in 2019 and as member, Executive Committee of the International Organization of Pension Supervisors (IOPS).

12. Big 4 Agenda (affordable housing):

Provision of affordable housing because members can now use up to 40 percent of their savings or Ksh7 million to buy residential houses.

13. Big 4 Agenda (universal healthcare):

The Post-Retirement Medical Fund rolled out which means retirees will be better prepared to comfortably meet their healthcare needs and access hospitals of their choice.

14. Pension Contributions Delays:

Law changed to compel poor remittance by pension schemes particularly universities, sugar companies and some retailers to comply. RBA has the power to compel defaulters to remit deductions or sanction them.

15. Individual Pension Plans:

The Authority has overseen the introduction of individual pension schemes for the self-employed and those in the informal sector.

16. Sound Regulatory Framework:

An enabling regulatory framework complete with the regulations, practice notes, guidelines for the pension industry for industry players to operate under clear rules now in place.

17. New Pension Products:

Rapid rollout of new digital pension products, more individual and umbrella pension schemes registered.

18. Conversion of the civil service scheme:

Conversion of the civil service scheme from defined benefits to defined contributions to lessen the pension burden from the Exchequer.

19. Risk-based Supervision Approach:

RBA has taken a risk-based supervision approach in managing pension schemes so as to safeguard employee retirement benefits.

20. ISO Certification:

RBA ISO certification happened in 2015.

THE ROLE OF RETIREMENT BENEFITS AUTHORITY IN THE MANAGEMENT OF YOUR SCHEME

The Retirement Benefits Act of 1997 established the Retirement Benefits Authority (RBA) for regulation, supervision and development of the retirement benefits sector.

Therefore, RBA has the mandate to continually supervise your scheme and receive quarterly and annual submissions from the trustees and service providers through its online portal.

In this regard, it is the responsibility of RBA to calculate a risk score for your scheme between 1 and 5 based on 34 risk indicators covering Governance, Prudential and Market Conduct factors. In case of high-risk score, RBA will take supervisory action against your scheme.

How to file a complaint

In case you have a problem with your scheme or service provider, you can file a complaint to RBA by using the Authority's online complaints reporting portal **http://portal.rba.go.ke/complaints** or email **complaints@rba.go.ke.**

You may also take the following steps in person:

- You can whistle blow anonymously through RBA secure portal (http://portal.rba.go.ke/whistleblower)
- RBA will provide free retirement preparation training for you as a scheme member. Look out for the retirement planning seminar calendar at www.rba.go.ke
- RBA often attends scheme AGMs, Member Education Days and other events to educate members or respond to queries. Feel free to interact with RBA staff in these forums
- Anyone dissatisfied with a decision of RBA can appeal to the Independent Retirement Benefits Appeal Tribunal

How to contact RBA

For queries regarding the retirement benefits industry or your pension scheme, please call RBA on toll free number: 0800720300 and follow the prompts.

You can also write to RBA via email: **info@rba.go.ke.**
More information can be found on the RBA website **www.rba.go.ke**

CSR APPROACH ROPES IN INFORMAL SECTOR WORKERS TO SAVE FOR RETIREMENT

To complement its mandate, RBA carries out Corporate Social Responsibility and Investment (CSR&I) activities aimed at achieving the double goal of increasing the number of informal sector mem¬bers taking up a pension cover, and improving the environment in which they operate.

In the run-up to its 20th anniversary celebrations the Authority donated food items, toiletries and clothing to four homes for vulnerable children and old people as part of its corporate social responsibility.

The Authority also donated Ksh5 million to the National Covid-19 Emergency Fund to cushion the elderly in the Nairobi Metropolitan area to purchase essential foodstuffs due to the harsh economic realities brought about by the COVID 19 pandemic. The Authority channelled the Ksh5million through the Covid-19 Emergency Fund in line with the advisory from the Ministry of Health.

Further, in the 2019/2020 financial year, the Authority carried out a number of CSR&I programmes, including market cleaning exercises in Nyamira, Nyeri, Narok, Busia, Taita Taveta, Makueni and Bungoma counties. The cleaning exercises were preceded by sensitisation forums on the importance of saving for retirement.

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

The informal sector members were also sensitised on the importance of conducting business in a clean environment to attract cus¬tomers, grow incomes and avoid diseases. This way, they would live long, meaningful lives and enjoy their retirement savings.

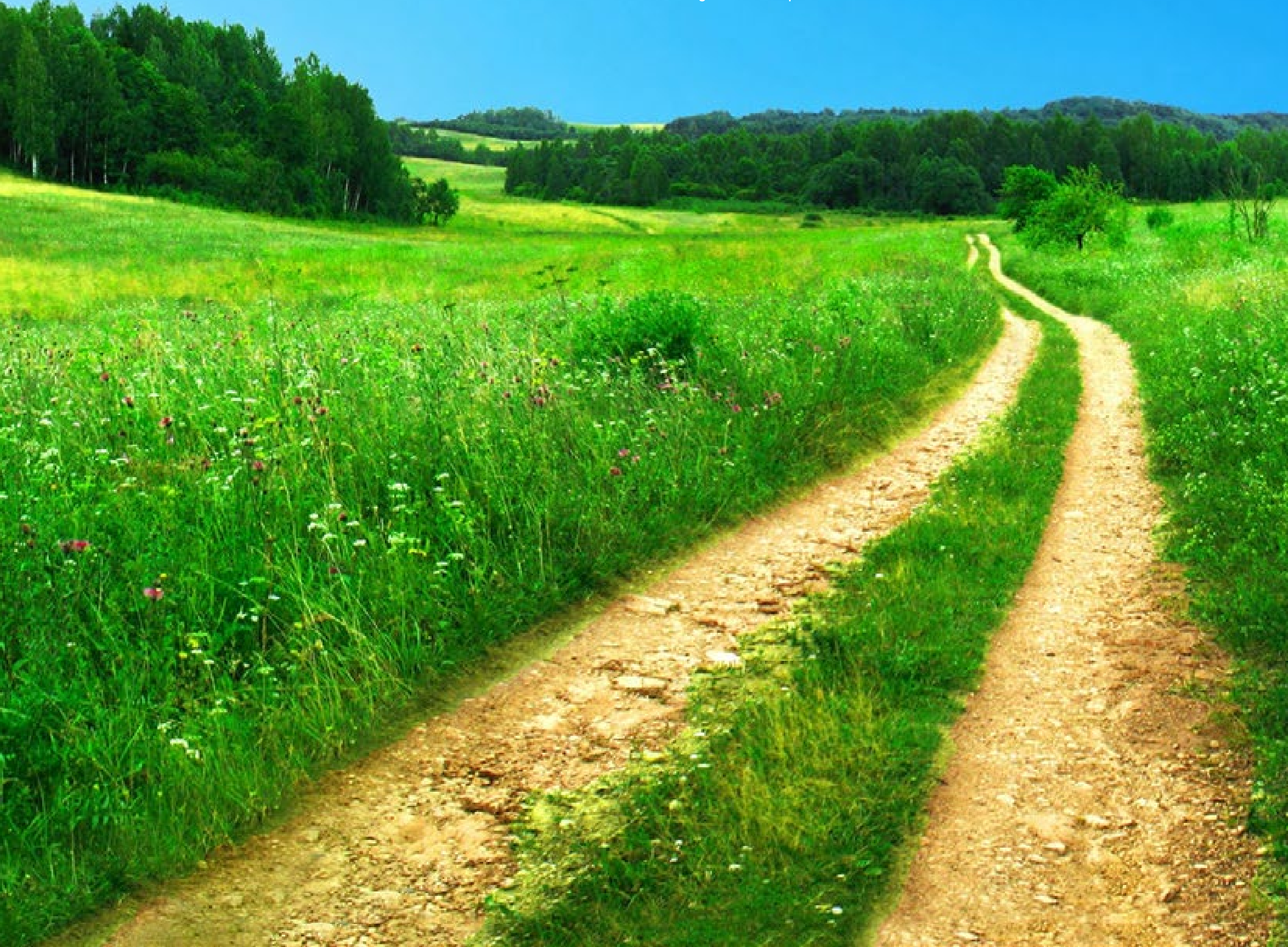
Further, the Authority donated Ksh5 million to the Covid-19 Emergency Response Fund to complement government's efforts in cushioning vulnerable members of the society from adverse effects of the Covid-19 pandemic.

THE JOURNEY TO A VIBRANT PENSION INDUSTRY

By Jane Akinyi

Retirement Benefits Authority (RBA) came into existence on October 7, 2000 through the Retirement Benefits Act.

Before the Act came into operation, pension schemes in Kenya were regulated by bits and pieces of legislation drawn from Trust and Income Tax Laws. There was no coherent structure or a regulatory body to set industry standards. That being the case, the schemes adopted different styles of operation.



In the words of Dr Edward Odundo, (inset) the first Chief Executive Officer and an integral part of RBA's success story, lack of adequate structures meant that drastic measures had to be taken to streamline operations in the pensions industry, and that is how the idea of RBA was mooted. The move was both critical and urgent since the pension industry brings together multiple and diverse stakeholders.

And at that time, 90 percent of the schemes operating in the country were not compliant. Amended investment guidelines, standards and best practices were imperative in efforts to organise the sector.

In this regard, RBA was mandated to regulate, supervise, promote and develop the retirement benefits sector. Dr Odundo, then at Kenya Revenue Authority (KRA), another state office, was picked out to steer the ship. He was taking over from his predecessor Mr Nahashon Nyaga who had been at the helm in an acting capacity. "We were commissioned to implement all Government policies relating to retirement benefits and further advise Treasury on matters akin to the development of the pension industry," states the former RBA boss.

Odundo reflects on the myriad challenges the regulator faced at the start. These, however, weren't unique to RBA. A new initiative, which is what RBA was, is always likely to run into headwinds."It was bumpier than we envisioned; quite a challenging period when I joined. The transition was marred by resistance and rebellion to the new law that had been enacted," recalls the former head.

His first mission was to bring on board the less than thrilled industry players. A series of meetings were held to delineate the role of the Authority, foster peace and promote professionalism.

"We needed to win their confidence by making them understand that we were not the enemy. It was just after these discussions that we achieved harmony, began working as a team and became stronger as a unit," he says.

Unfortunately, that was not the only challenge. There existed an unspoken mistrust between the contributors and their sponsors. Things weren't exactly running smoothly between them either. The task that followed was to restructure the management of schemes that then, was at the behest of employers.

The impasse was resolved by ensuring the employers and trustees worked as independent entities. Besides separating roles, RBA also got involved in scheme investment plans to minimise risks and safeguard employee contributions. Still, that was not all. To date, and Dr Odundo doesn't quite understand why - pension saving is generally a hard sell to Kenyans.

The saving culture is still considered the lowest in the world. Perhaps, it is the overdependence on children after retirement. Parents often feel that once they have educated their children and they secure jobs, they should give back in retirement. So, they don't see the need to save for themselves.

But this tradition has been eroded. And even though most workers are already aware of these rapidly changing dynamics, they still fall short when it comes to saving for their sunset days — a time they are at their most vulnerable, socially.

Pension savings are a source of funds for contingency in case of illness or death. It cushions the beneficiary from obvious post-employment disruption of lifestyle and living standards.

By extension, this puts the fate of all employees, concerning their retirement years, in their own hands. Pension saving, therefore, ceases to be a frill and becomes one's duty.

RBA in earnest rolled out public awareness and media campaign programmes to discontinue dependence on offspring and actively promote savings in line with the authority's mission statement.

A majority heeded the advice and enrolled in individual pension schemes. All these changes over the last 20 years have resulted in a vibrant pension industry. By the time Odundo was leaving in 2016, industry assets were worth Ksh1 trillion, and a total of 23 individual pension schemes had been registered. He had started with less than Ksh100 billion and with a measly 11 percent labour force coverage.

Odundo retired six years after celebrating the authority's 10th anniversary in 2010. Amongst his major milestones was hitting the one trillion mark. He ultimately reached his goal by instituting the MBAO pension plan for informal workers. He is gratified to have also pacified and increased confidence in the pension industry.

Today, the asset portfolio has grown to over Ksh1.3 trillion, and the individual pension schemes have increased to over 35 in number.

The labour force coverage is at 22 percent, up from 11 percent. He is happy that the Authority has continued steady growth.

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.

Under the leadership of his successor Mr Nzomo Mutuku, the ICT Department recently launched a mobile application meant to offer a convenient and cost-effective platform for engaging Kenyans nationwide. With the app, citizens can now whistle-blow, file complaints, make inquiries, track industry trends, monitor schemes performance, and access all registered pension service providers.

"I laud this achievement. Kenyans now have an avenue to report issues of violation of financial regulations, mismanagement of pension funds or assets, corruption and other malpractice deemed to be in the interest of the public," he says.

He adds: "I am optimistic that this App will enhance confidence, improve service delivery and scheme governance, and at the same time stem unethical behaviour while simplifying stakeholder interactions."

Even though retired, Odundo is far from finished at RBA, he was recently appointed to chair the newly created civil service super-annuation scheme.

The industry, he foresees, is set to grow faster with over 400,000 civil servants on board. They include teachers, the national youth service, the police, prison officers and other public servants.He is hopeful that the scheme, which started receiving contributions in January 2021, will stop bleeding the government with pension liabilities.

If RBA continues on this path, Odundo reckons the industry will hit the Ksh5 trillion mark in the next five years and urges the industry stakeholders to continue supporting RBA's initiatives to realise this dream. "The best is yet to come", he forecasts.

However, he cannot hide his concern over the insufficiency of benefits in retirement and pain retirees undergo despite making lifetime savings while employed. A recent report by an actuarial consulting firm revealed that less than a tenth of pension schemes are providing sufficient benefits to comfortably sustain members in retirement.

According to the survey done by Actuarial Services East Africa (Actserv), only 13 percent of defined contribution schemes seemed to provide adequate levels of benefits for individuals joining at the age of 25. The findings of this study demonstrate that it is not feasible to rely on the contributions set by employers if you join employment in your latter years. Additional contribution is, therefore, necessary to boost the pension kitty. As a pensioner himself, Odundo is appealing to Kenyans to think about additional voluntary contributions. "Your income after retirement may not be enough. If you saved Ksh40 million, you are likely to get Ksh40,000 per month.
And if you saved Ksh1 million you are likely to get Ksh10,000 and so forth. This may not satisfactorily sustain an individual whose monthly salary was Ksh400,000, " he adds.

Sadly, majority of Kenyans only realise this after they have retired. In this regard, he advises the younger generation to increase their savings. But all is not lost, Odundo believes that RBA has the resources and drive to sensitise the public and turn things around.

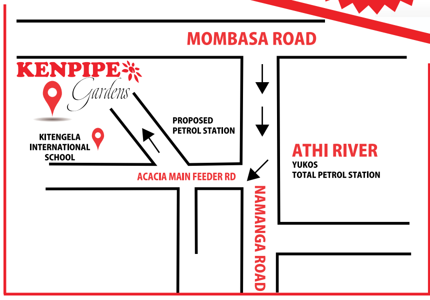
"While you are saving, follow up on the performance of your schemes, attend AGMs, ask questions, and monitor your contributions by seeking personal statements," advises the pension expert.And to employees approaching retirement, he says: "Get a decent medical cover, start a small business, retire without loans and keep close to families. You will need them."

Odundo acknowledges the contribution of the staff, management, and partners of the Authority who worked tirelessly to make these 20 years a success. "They have indeed been 20 years of an inclusive, secure and growing retirement benefits sector. I am more than proud to be associated with you," he says.

KENPIPE Gardens

20 Year Payment Plan

3 & 4 BEDROOM HOUSES FROM Kes 10M



ABOUT THE PROPERTY

This development is located off Namanga Road approximately 2 km away from the main road. It comprises of 3 Bedroom and 4 Bedroom units. The 3 bedroom is 130 s.q.m and the 4 bedroom is 150 s.q.m. In the vicinity are the Orchard School, Kitengela International School, Thorn Grove Academy and Acacia Crest Academy.

SALIENT FEATURES

- Fully detached stand-alone units
- Separate lounge and dining room
- Fitted Kitchen with pantry
- Ensuite Master Bedroom
- Visitor's Cloakroom
- Detached Staff Quarters

SHARED AMENITIES

- Cabro paved Estate Roads
- Solar Water Heating & Lighting
- Borehole & Water Treatment Plant
- Electric Fence
- Main & Service Gates
- Playground

MARKETING & SELLING AGENTS

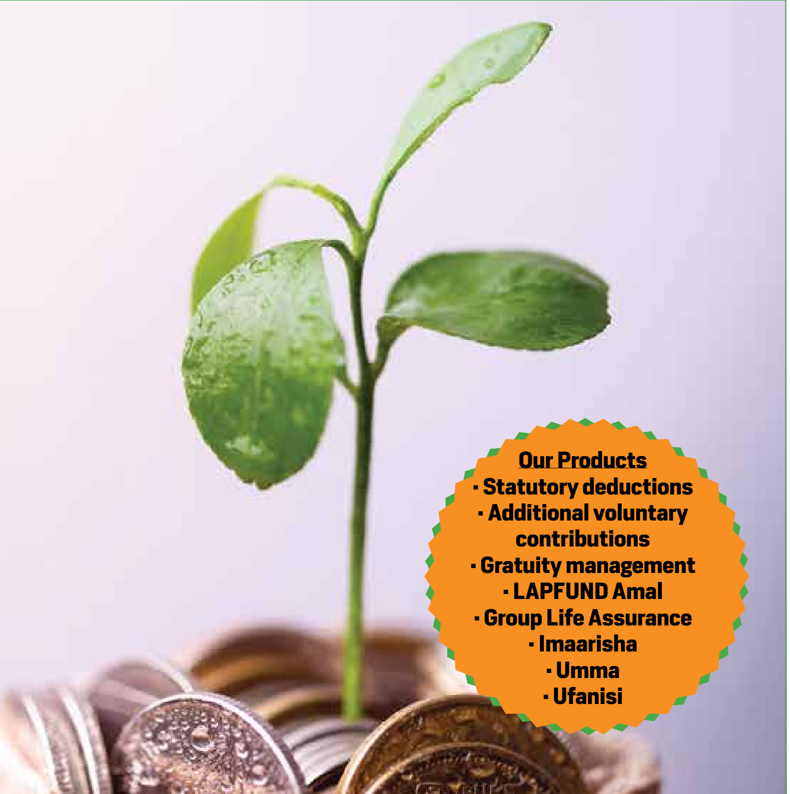
TYSONS LIMITED
Jubilee Insurance Hse, 1st Floor
Wabera Street
P.O. Box 40228-00100 Nrb
T: 0736 167807/ 0721 209684

CRYSTAL VALUERS LTD
Bruce House, 4th Floor
Standard Street
P.O. Box 10205-00100 Nrb
T: 0721 297100/ 0733 714297

Upperhill Gardens, Suite D16
3rd Ngong Avenue
P.O. Box 29509-00100 Nrb
T: 0721 572268/ 0722 334480

Congratulations RBA on your 20th Anniversary celebrations

LAPFUND
Secured Retirement



Congratulates

The Retirement Benefits Authority (RBA)

For scaling new heights and setting high standards in the retirement sector in Kenya.
Happy 20th Anniversary
LAPFUND is proud to be associated with you.

LAPFUND, securing retirement benefits for Kenyans since 1960.
Pay yourself first before paying others by joining LAPFUND.

Work | Save | Retire *with...* LAPFUND Secured Retirement

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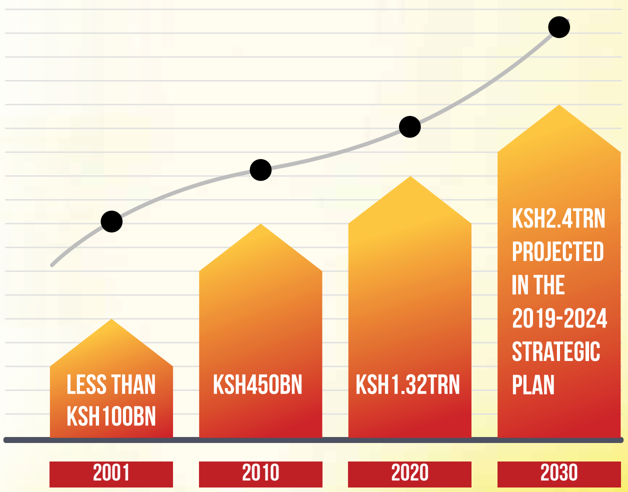
Branch Network: Mombasa – Imaara Building 1st Floor| 0709 805300, **Kisumu** – Al-Imran Plaza 2nd Floor| 0709 805600,**Nakuru**- Polo Centre 1St Floor | 0709 805500
Nyeri – The Fortress Building 1st Floor| 0709 805400, **Isiolo** – Desert Trail Building | 0709 805900, **Garissa** – Lilac Centre 1st Floor| 0720 802140

GOODWILL MESSAGES

Pension Assets in Ksh



Pension Coverage: % of Labour force:

2000: **12%**
2010: **15%**
2020: **22%**
2030: **30%** (Projected in the 2019-2024 Strategic Plan)

Pension Scheme Members: 3.2million
Number of Pension Schemes: 1258

Service Providers:
Custodians: **11**
Fund Managers: **24**
Administrators: **31**

Just like the **3.2million Kenyans**, join any of the registered **36 Individual Pension Plans** today and start saving towards your retirement.

To all pension sector stakeholders, we say Asante Sana. You have been part of the two decades of growing and safeguarding Kenya's retirement benefits.

For queries regarding the Retirement Benefits Industry or your pension scheme, please call RBA on toll-free number: 0800720300
For more industry updates, follow us on:

@RBAKenya, rbakenya @RetirementBenefitsAuthorityKE Retirement Benefits Authority Kenya Retirement Benefits Authority Email: info@rba.go.k www.rba.go.ke

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KENYA POWER PENSION FUND

WE WOULD LIKE TO

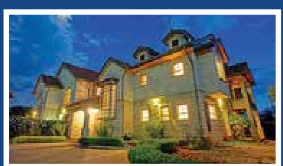
Congratulate

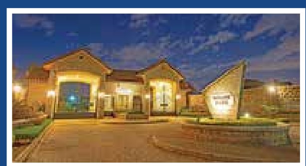
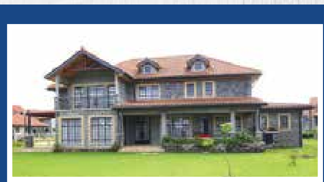
The Retirement Benefits Authority
on your 20th Anniversary.
We are proud to be associated with you.

BOGANI PARK

Bogani Park is a premium residential development located along Bogani Road in Karen. The property consists of 45 four and five-bedroom luxury town houses set on individual half-acre plots, with an 'English Country Estate' design, layout, and aesthetics. Other facilities and services include; a clubhouse, swimming pool, sauna, steam rooms, gym, 24 hour manned gatehouse, secure perimeter, backup generators and an onsite borehole.

The houses are on sale and are ready for occupation.

Stima Plaza-Kolobot Road. P. O. Box 1548-00600 Nairobi, Kenya.
Tel: 0720 533520, 0704 211211, 0704 212212 **Email:** info@sakile.co.ke **Web:** sakile.co.ke

RETIREMENT BENEFITS AUTHORITY 20TH ANNIVERSARY

> *Since RBA was established, the pension industry has witnessed some remarkable changes. The Authority has overseen the introduction of individual pension schemes for the self-employed and those in the informal sector; umbrella pension schemes for employers; and post-retirement medical fund*

GOODWILL MESSAGES

20 YEARS anniversary

RETIREMENT BENEFITS AUTHORITY

NOTICE TO THE RETIREMENT BENEFITS INDUSTRY

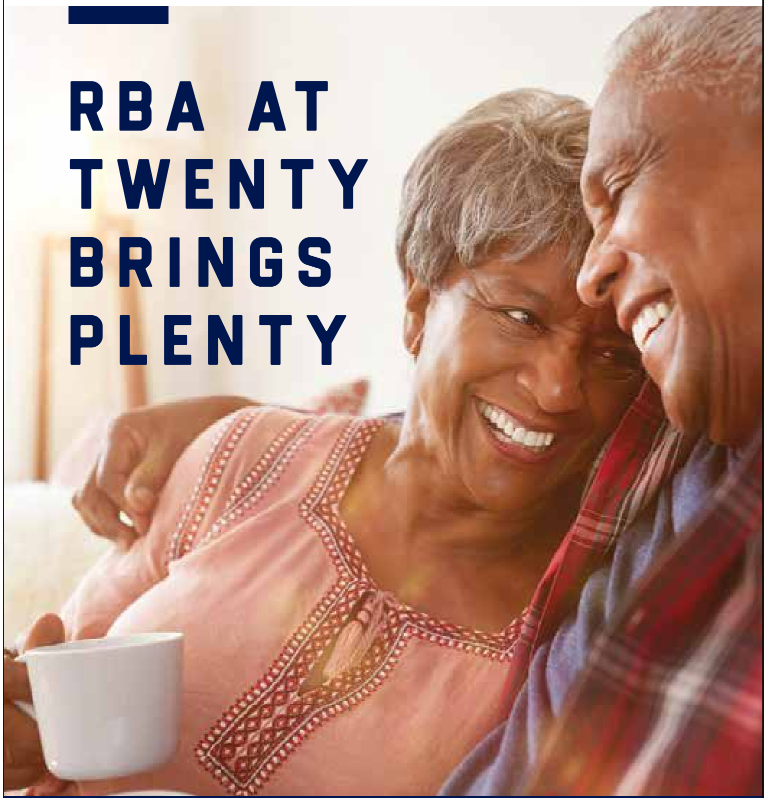
Pursuant to the provisions of Sections 22 (3) and 29 (2) of the Retirement Benefits Act, the Authority would like to bring to the attention of the Retirement Benefits Industry, the list of the registered **Administrators**, **Custodians** and **Fund Managers**.

	ADMINISTRATOR	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	KUSCCO Mutual Assurance Limited	4400019	28403-00200, NAIROBI
14	Liaison Financial Services Limited	0703071000	58013-00200, NAIROBI
15	Liberty Life Assurance Kenya Limited	2866000	30364-00100, NAIROBI
16	Madison Insurance Company Kenya Limited	2864000	47382-00100, NAIROBI
17	Minet Kenya Financial Services Limited	4975000	20102-00200, NAIROBI
18	Octagon Pension Services Limited	0708 726830	10034-00100, NAIROBI
19	Pacific Insurance Brokers (EA) Limited	2586568	50565-00200, NAIROBI
20	Pioneer Assurance Company Limited	2220814	20333-00200, NAIROBI
21	Roberts Insurance Brokers Limited	2464558	73415-00200, NAIROBI
22	Saham Assurance Company Kenya Limited	2243681	20680-00200, NAIROBI
23	Sanlam Life Insurance Limited	2781000	44041-00100, NAIROBI
24	Sapon Insurance Brokers Limited	6007324	47628-00100, NAIROBI
25	Sedgwick Kenya Insurance Brokers Ltd.	2723088	40709-00100, NAIROBI
26	Takaful Insurance of Africa Limited	2725134	1811-00100, NAIROBI
27	The Jubilee Insurance Company of Kenya Limited	3281000	30376-00100, NAIROBI
28	The Kenyan Alliance Insurance Company Limited	2227723	30170-00100, NAIROBI
29	The Monarch Insurance Company Limited	4292000	44003-00100, NAIROBI
30	UAP Life Assurance Limited	2850000	23842-00100, NAIROBI
31	Zamara Actuaries Administrators & Consultants Limited	4969000	52439-00200, 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

	FUND MANAGERS	TELEPHONE	POSTAL ADDRESS
1	ABSA Asset Management Limited	204208756	30120-00100, NAIROBI
2	African Alliance Kenya Investment Bank Limited	2762000	27639-00506, NAIROBI
3	Alpha Africa Asset Managers Limited	2595448	34530-00100, NAIROBI
4	Altree Capital Kenya Limited	20 7605650	13442-00800, NAIROBI
5	Amana Capital Limited	2351738	9480-00100, NAIROBI
6	Apollo Asset Management Company Limited	3641000	30389-00100, NAIROBI
7	Britam Asset Managers Kenya Limited	2833000	30375-00100, NAIROBI
8	CIC Asset Management Limited	2823000	59485-00200, NAIROBI
9	Co-op Trust Investment Services Limited	3276000	48231-00100, NAIROBI
10	Cytonn Asset Managers Limited	20 3929000	20695-00200, NAIROBI
11	Dry Associates Limited	4450520	684-00606, NAIROBI
12	Fusion Investment Management Limited	2738460	47538-00100, NAIROBI
13	Genafrica Asset Managers Limited	2323343	79217-00200, NAIROBI
14	Genghis Capital Limited	0709185000	9959-00100, NAIROBI
15	ICEA Lion Asset Management Limited	2221652	46143-00100, NAIROBI
16	Kenindia Asset Management Company Limited	316099	44372-00100, NAIROBI
17	Madison Asset Management Services Limited	2864502	20092-00100, NAIROBI
18	Nabo Capital Limited	2286000	10518-00100, NAIROBI
19	Natbank Trustees and Investment Services Ltd	2828356	72866-00200, NAIROBI
20	NCBA Investment Bank Limited	2884444	44599-00100, NAIROBI
21	Old Mutual Investment Group Limited	2829000	11589-00400, NAIROBI
22	Sanlam Investments East Africa Limited	4967000	67262-00200, NAIROBI
23	Zimele Asset Management Company Limited	2246273	76528-00508, NAIROBI

LIBERTY



We at Liberty Life congratulate the RBA for 20 years of safeguarding and improving Kenya's retirement benefits industry. This has continually enabled us to secure the financial future of Kenyans who have signed up for our Boresha Maisha Retirement Plan.

Why the Boresha Maisha Retirement Plan?

- Multiple investment portfolio options
- Can be used as a consolidation account for your retirement benefits should you change jobs
- Various benefit options at retirement
- Ease of account access through online portal
- Monthly statement
- Monthly declarations of investment income
- Availability of tax advantages
- You have a retirement savings plan
- Includes a Family Funeral Cover

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> Boresha Maisha Umbrella Retirement Fund
> Boresha Ustaafu Income Drawdown

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GOODWILL MESSAGES

We Congratulate
RETIREMENT BENEFITS AUTHORITY
on their
20th Anniversary and wish them all success
on their celebrations.

KENINDIA

LOOKING FOR
FINANCIAL SECURITY ON RETIREMENT

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Your Stability,Our Priority

---

20 YEARS ANNIVERSARY CELEBRATION

Assets: Ksh1.32 Trillion, Schemes: 1,258, Members 3.2 Million

We are Proud
to
have walked with your team this long!

Congratulations RBA

From **ARBS** Council and Members.
Looking forward to many more archievements together.

OUR VISION

"To be the first point of reference for all retirement benefits matters and a key facilitator of rapid development of a vibrant retirement benefits industry for all Kenyans".

OUR MISSION

"To be a strong, effective and recognized forum to represent and promote the interests of member schemes and other stakeholders through innovative advocacy and education"

ARBS
ASSOCIATION OF RETIREMENT BENEFITS SCHEMES

Flamingo Towers, 1st Floor, Mara Road, Upper Hill,
P.O. Box 10285-00100, GPO Nairobi, Kenya
Tel: +254 (0) 20 2711461/2, **Fax:** +254 (0) 20 2711446
Cell: +254 (0) 733 748952, +254 (0) 748954, **Email:** info@arbs.co.ke,
www.arbs.co.ke

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The Board of Trustees, Management and Staff of TelPosta Pension Scheme & Provident Fund

Congratulates

RBA
Retirement Benefits Authority
Safeguarding your retirement benefits.

RETIREMENT BENEFITS AUTHORITY

As you commemorate your

20TH ANNIVERSARY

TelPosta Pension Scheme & Provident Fund
is proud of your milestones in developing and safeguarding the retirement benefits environment in Kenya.

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Email: info@telpostapension.org | Website: www.telpostapension.org

GOODWILL MESSAGES

CELEBRATING

20

ANNIVERSARY

Happy 20th Anniversary to
The Retirement Benefits Authority,
We are happy to be associated with you!

Winner of 5th Annual AGF Service Providers Awards 2020 as Best Fund Administrator

Enwealth
For a better tomorrow

TOP 100 MID-SIZED COMPANIES BUSINESS DAILY

RBA Retirement Benefits Authority

Kenya Railways Staff Retirement Benefits Scheme

Congratulations

The Chairman, Board of Trustees and staff of Kenya Railways Staff Retirement Benefits Scheme wish to congratulate the Retirement Benefits Authority (RBA) on the occasion of commemorating your 20th anniversary.

We value your partnership as a regulator in the financial sector and your efforts to promote confidence in the retirement benefits sector in Kenya. We are proud to be associated with you.

Our Vision

To be a model retirement scheme providing comfort and dignity to members

Our Mission

To efficiently manage the resources of the scheme for maximum return to the members

Kenya Railways Staff Retirement Benefits Scheme is committed to achieving the highest levels of pensioner satisfaction through continuous improvement in our service delivery with;

Integrity, Professionalism, Accountability, Transparency, Respect, Efficiency and Commitment.

Office of the Chief Executive Officer, Workshop Rd., Off Haile Selassie Avenue
Opposite the TUK University Campus | P.O. Box 46796 - 00100, Nairobi
Tel: +254 0736 581 370 | 0719 314249 | E-mail: admin@kenrailtrust.co.ke
Website: www.kenrailtrust.co.ke

MOI UNIVERSITY PENSION SCHEME

"To secure and grow Scheme Funds through prudent investments and provide timely benefits to members and their beneficiaries"

Moi University Pension Scheme

Congratulates

The Retirement Benefits Authority

on its 20th Anniversary.

We at Moi University Pension Scheme are glad to be associated with achievements of the Retirement Benefits Authority and appreciate its efforts to regulate the Pension Industry by ensuring that the Pension Schemes/Funds accumulate sufficient pension wealth to:-

- Minimize old age poverty and
- Provide financial independence to each retiring member.

OUR ELDORET DAIMA TOWERS

The Eldoret Daima Towers is a landmark development in Eldoret City made for offices, businesses. The Building has the most modern infrastructure facilities in place.

We are gladly inviting investors to:
Rent or purchase Office space at this prestigious Modern and Friendly building.

Contact:

Viola:-	**0720-251-998**
Eng. Mumia:-	**0723-528-052**
Office:-	**0707-199-100 • 053-20-62-033 • 053-20-61-996 • 053-20-62-806**

GOODWILL MESSAGES

> **_Schemes registered with KRA enjoy tax-free contributions of up to Ksh20,000 per month or Ksh240,000 per annum. Where one transfers gratuity to a registered scheme, the tax exempt amount is the same. All investment income earned by a scheme is exempt from corporation tax._**

RBA Chairman Victor Pratt at a past seminar educating members of the informal sector on the need to save for retirement. The RBA 2019-2024 Strategic Plan seeks to integrate the informal sector to drive pension coverage.

LIST OF REGISTERED UMBRELLA RETIREMENT BENEFITS SCHEMES			
These schemes have been set up by companies who have fulfilled the requirements of registration according to the Retirement Benefits Act and Regulations. Their purpose is to pool companies, usually small or medium size which may not find it financially viable to establish their own retirement benefits schemes. It therefore provides a simple and cost effective vehicle for employers' retirement benefits arrangement.			
	SCHEME	**POSTAL ADDRESS**	**TEL NO.**
1	Amana Umbrella Pension Scheme	9480-00100 Nairobi	313356
2	APA Life Umbrella Retirement Fund	30389-00100 Nairobi	3641000
3	British American Insurance Umbrella Retirement Fund	30375-00100 Nairobi	2710927
4	CFC Life Assurance Ltd Umbrella Fund	30364-00100 Nairobi	2866000
5	CIC Umbrella Retirement Benefits Scheme	59485-00200 Nairobi	2823000
6	CICAM Umbrella Retirement Fund	59485-00200 Nairobi	"2823000 0703 099132"
7	Co-optrust Investment Retirement Benefits Scheme	48231-00100 Nairobi	070 3071000
8	County Pension Fund	28938-00200 Nairobi	2046901
9	Cytonn Umbrella Retirement Benefits Scheme	20695-00200 Nairobi	0709 101000
10	Enwealth Umbrella Fund	52840-00200 Nairobi	020-8160312
11	Fusion Umbrella Retirement Benefits Scheme	47538-00100 Nairobi	27101149
12	ICEALION Umbrella Retirement Benefits Scheme	46143-00100 Nairobi	2750000
13	ICEALION Guaranteed Umbrella Fund	46143-00100 Nairobi	2750000
14	Kenindia Umbrella Provident Fund	30377-00100 Nairobi	3310699
15	Kenya Orient Umbrella Pension Fund	34530-00100 Nairobi	2728603
16	Kivuli Umbrella Fund	79217-00200 Nairobi	2323343
17	Madison Umbrella Retirement Benefits Scheme	47382-00100 Nairobi	2864000
18	Minet Kenya Umbrella Retirement Fund	20102-00200 Nairobi	4975000
19	Mwavuli Pension Fund	15850-00100 Nairobi	2220099
20	Ngao Umbrella Pension Scheme	30375-00100 Nairobi	2710927
21	Octagon Umbrella Retirement Benefits Scheme	10034-00100 Nairobi	6001948
22	Old Mutual Umbrella Retirement Benefits Scheme	30059-00100 Nairobi	2728881
23	Sanlam Umbrella Retirement Fund	44041-00100 Nairobi	2781000
24	Pioneer Umbrella Retirement Fund	20333-00200 Nairobi	2220814
25	Suluhu Umbrella Scheme	58013-00200 Nairobi	2717137
26	Takaful Umbrella Fund	1811-00100 Nairobi	2725134
27	The Jubilee Insurance Umbrella Scheme	30376-00100 Nairobi	3281000
28	The Kenyan Alliance Insurance Company Limited Umbrella Fund	30170 Nairobi	221449
29	The Monarch Umbrella Retirement Fund	44003-00100 Nairobi	310032
30	UAP Umbrella Retirement Benefits Scheme	23842-00100 Nairobi	2850000
31	Zamara Fanaka Retirement Fund (Provident & Pension Sections)	52439-00200 Nairobi	4969000

INDIVIDUAL RETIREMENT BENEFITS SCHEMES REGISTERED WITH RBA			
	NAME	**ADDRESS**	**TEL**
1	Amana Personal Pension Plan	9480-00100	313356
2	Apollo Insurance Co. Ltd. Individual Pension Arrangement	30389	223562
3	Benefits At Work Personal Pension Scheme	27932-00100	0700688248
4	Blue MSMEs Jua Kali Individual Retirement Benefits Scheme (Mbao Pension Plan)	30664-0000	4946500
5	British American Personal Pension Plan	30375-00100	2710927
6	CFC Life Individual Pension Plan	30364-00100	2866000
7	Chancery Personal Pension Plan	55537-00200	2711555
8	CIC (Jipange Personal Pension Plan)	59485-00200	2823000
9	Commercial Bank of Africa Individual Pension Plan	30437-00100	2884000
10	CPF Individual Pension Scheme	28938-00200	2248408
11	Cytonn Personal Retirement Benefits Scheme	20695-00200	0709 101000
12	Dry Associates Personal Provident Plan	684-00606	4450520
13	Enwealth Diaspora & Expatriates Retirement Fund	52840-00200	8160312
14	Enwealth Personal Pension Scheme	52840-00200	8160312
15	Fahari Retirement Plan	52439-00200	4969000
16	GA Life Personal Provident Plan	42166-00100	271633
17	GA Life Personal Pension Plan	42166-00100	271633
18	Gencap Individual Pension Plan	9959-00100	0709185000
19	ICEA Lion Individual Retirement Benefits Scheme	46143	221652
20	Jubilee Insurance Company Ltd Personal Pension Plan	30376	340343
21	Kenindia Assurance Co. Ltd. Personal Pension Plan	30377	316099
22	Kenyan Alliance Insurance Co.Ltd. Individual Retirement Benefits Scheme	30170	241626
23	KUSCCO Mutual Individual Retirement Benefits Scheme	28403-00200	2721274
24	Madison Insurance Personal Pension Plan	47382	2721970
25	Mafao Fund	58013-00200	703071000
26	Mercantile Personal Provident Fund Scheme	20680-00200	2243681
27	Minet Individual Pension Plan	48279-00100	4974000
28	Mwavuli Individual Pension Plan	10472-00100	2220099
29	NTISL Personal Pension Plan	72866-00200	2828356
30	The Heritage AII Company Ltd. Individual Retirement Benefits Scheme	30390-00100	3749118
31	The Kenya Orient Individual Pension Plan	34530-00100	2728603
32	The Monarch Personal Pension Plan	44003	310048
33	Octagon Personal Pension Scheme	10034-00100	"0708726830/ 0732343595"
34	Old Mutual Individual Retirement Benefits Scheme	30059-00100	2829000
35	Pan Africa Life Personal Pension Plan	44041-00100	247600
36	Pioneer Assurance Individual Retirement Benefits Scheme	20333-00200	2220814
37	Stanlib Individual Pension Plan	30550-00100	3268508
38	UAP Life Assurance Individual Retirement Benefits Plan	43013-00100	2850000
39	Wakili Personal Retirement Benefits Scheme	72219-00200	0709 087000
40	Zamara Vuna Pension Plan	52439-00200	4969000
41	Zimele Personal Pension Plan	76528-00508	246273

NEW REGULATIONS TO ALLOW PENSION SCHEME MEMBERS OWN HOMES

By James Ratemo

Members of retirement benefits schemes can now start purchasing residential houses using part of their pension savings. This follows the gazettement of The Retirement Benefits (Mortgage Loans) (Amendment) Regulations 2020 vide Legal Notice 192 dated 14th September 2020.Pension schemes had until September 2021 to domesticate the regulations and guide their members on how to access the funds.

According to the regulations, Kenyans will access up to 40 percent of their accrued benefits for residential house purchase provided the sum shall not exceed seven million shillings. However, scheme members already receiving pension, members already on early retirement, and those that have attained the retirement age will not benefit from this new provision.

The Regulations can be downloaded from the Authority's website (www.rba.go.ke) or The National Council for Law Reporting website (www.kenyalaw.org) alongside the following regulations that have also been approved and gazetted:

1. The Retirement Benefits (Forms and Fees) (Amendment) Regulations 2020 - Legal Notice No. 115 dated 30th June 2020
2. The Retirement Benefits (Forms and Fees) (Amendment) Regulations 2020- Legal Notice No. 191 dated 14th September 2020
3. The Retirement Benefits (Umbrella Retirement Benefits Schemes) (Amendment) Regulations 2020- Legal Notice 193 dated 10th September 2020
4. The Retirement Benefits (Mortgage Loans) (Amendment) Regulations 2020 - Legal Notice 192 dated 14th September 2020

The Retirement Benefits Authority was established under the Retirement Benefits Act, Cap 197 to regulate and supervise the establishment and management of retirement benefits schemes.

For queries regarding the Retirement Benefits Industry or your pension scheme please call RBA on toll free number: 0800720300 and follow the prompts

Opinion

EXPANDING THE NET FOR ENHANCED RETIREMENT BENEFIT SERVICES

By Laura Okari

Kenya's workforce is aging faster even as older workers now make up a greater portion of the workforce in public offices raising significant concerns about retirement risks.

With the large number of baby boomers – those born between 1946 and 1964 – which has a significant impact on the economy - now ageing, it is estimated that these individuals will soon join the 'seniors' group, and their survival in post-retirement may not be guaranteed.

Statistics show that less than 10 percent of Kenyan population retire financially independent with one of the reasons being the sorry state of saving for retirement, most people underestimate how much they will have to pay for medical expenses during their retirement years. Low preparedness among Kenyans, low income, lack of saving discipline, lack of financial literacy and lack of investment ideas also contribute to the poor saving towards retirement

The Retirement Benefits Authority (RBA) has been in the forefront of a revival to attract more Kenyans to saving for retirement before they reach the end of their working life, so as to avoid an investment crisis to the ageing population.

Since the establishment of the RBA to regulate and supervise the establishment and management of retirement benefits schemes in the country, tremendous growth has been registered in this key industry.

A retirement benefits scheme is a savings avenue that allows contributing individuals to make regular contributions during their productive years into the scheme and thereafter get income from the scheme upon retirement.

A lot of changes and new attempts to enhance service provision have been noted, and key among the changes was going beyond the norm and change the sector which for a long time favoured the formally employed.

In his 2021/22 budget statement, Treasury Cabinet Secretary Ukur Yatani said that the government will prioritise the amendment of the Retirement Benefits Act and the Pensions Management Information System later in the year to arrest a looming workforce crisis in the public sector. Further the CS called for the harmonisation and the establishment of one National Retirement Policy in order to protect the interests of beneficiaries and rights of pension contributors.

The policy which is currently under development seeks to achieve comprehensive pension coverage across the formal and informal sector and is expected to be ready by December this year.

Data from RBA estimates that out of Kenya's workforce, less than 20 per cent are saving for retirement using registered pension schemes. The bulk of these are in the formal sector.

To change tack, the sector has already come with the new products, especially after over 36 registered Individual Pension Schemes (IPPs), were registered, it is expected that more people are being targeted to fortify their life during retirement.

With IPP schemes, anyone can on-board as long as they are earning an income. Saving is flexible since in depends on income patterns of members. The level of retirement savings in Kenya is still very low, with the bulk of Kenyan workers lacking access to occupational pension schemes through which they can channel their retirement savings.

It is imperative to note that Kenya has one of the highest levels of old age dependency in the world, with old age poverty rate standing at 55 percent. However, more critical are the low levels of retirement savings that are exerting significant pressure on the economy.

As the regulator strives to achieve its mandate, increasing the retirement benefits coverage among the working population in the formal and informal sectors still remains a major challenge.

To overcome this hurdle, RBA has rolled out awareness campaigns together with other players in the industry on the need to save for retirement, besides developing products targeting the mass market.

Keen on expanding coverage from the current 22 per cent to 30 per cent in 2024, RBA has decided to go out and spread the word so as to bring on board members of the informal sector.

The Authority partnered with the Standard Media Group to roll out a 4-month sensitisation campaign on why Kenyans needs to join pension schemes. Further, with Covid-19 having taught us the importance of contingency funds, members of pension schemes who lost employment had a fall back plan. Therefore, no one should be left behind.
The Authority has also put in place a post-retirement medical fund within a registered retirement benefits scheme or by employers (sponsors).

Just as a pension scheme provides assurance of an income upon retirement, the Post-Retirement Medical Fund would ensure provision of health care upon retirement. Through this scheme, contributions can be made while a member is in active employment, and from which medical cover benefits will be met after a member has exited the service of their employer, and becomes entitled to benefits as provided in the scheme rules.

Studies indicate that 60 per cent of an individual's medical costs are incurred in retirement age. Unfortunately, due to their high risk, older people have had to pay high premiums to get medical insurance with some insurance providers not offering medical cover to people aged above 65. It has also been observed that one of the causes of early deaths soon after retirement is the lack of appropriate medical care for retirees.

Therefore, in order for an individual to receive adequate and comprehensive medical care after retirement, some form of long-term financial planning is required to provide for post-retirement medical needs.

Further, following the Retirement Benefits (MORTGAGE LOANS) (Amendment) Regulations, 2020 Kenyans can now use part of their retirement benefits to buy residential houses.

The law stipulates that Kenyans will access up to 40 per cent of their accrued benefits for residential house purchase provided the sum shall not exceed seven million shillings.

However, the member funds contained in a post-retirement medical fund shall not be used to determine the accrued retirement benefits or be used for the purchase of the residential house.

Every scheme shall prescribe the minimum requirements to be met by their members for a mortgage issuance application. The trustees will determine the application from the member within 90 days of the application being lodged. This is a welcome law. It means you can save for retirement and a home at the same time.

Remember, saving little by little over a long period of time will ensure you do not suffer from old age poverty.

Start saving today when you have energy to generate income. There shall come a time when you shall dearly need the savings.

The time is now.

Opinion

FINANCING A DEAL: WHAT ARE THE PROS AND CONS?

By Muhidin M. Mohamed

For one to fund a legal entity, a company for example, capital is required. However, raising funds to start a new business enterprise or financing new deals has always been a hurdle for entrepreneurs.

General economic conditions, the fluctuation of stock markets, the fortunes of investors and now Covid-19 pandemic all affects how capital markets perform. Covid-19 is not only a global public health crisis it has also severely affected the global economy and financial markets. We have seen reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries.

The rise and fall of capital markets due to these reasons affects the availability of capital for the entrepreneur. In the 1990s, for instance, "dot-com" companies were able to gets loads of cash to finance their business deals as investors rushed to these businesses while the old industries such as manufacturing or retail and real estate could not access capital.

This means that money is out there and so are investors.

The issue is what kind of financing and from where. The decision to choose the right source of finance for a deal will have a significant effect on the company in the long-run.

Generally speaking, there are two main ways of financing deals: equity and debt. I want to outline the various ways in which an entrepreneur can use equity and debt to finance deals, the advantages and disadvantages for each and the best finance options for certain kinds of deals because this information is very critical to the multi-billion pensions sector.

What does equity funding mean? This term refers to the funds obtained by a corporation from its income retention (internal) or by way of capital stock floatation (external). Sir Francis Palmer says that equity is sometimes referred to as "risk capital" because investors take on the risk of losing their money in the event the deal or the business fails.

If a deal succeeds, on the other hand, the investors and the owners share the profits. For example, those who invested equity in companies such as Microsoft, Google, Intel and so on would later earn hundreds of millions of dollars when their equity paid off due to these companies going public.

The least expensive source of equity fund is internally-generated personal savings. This method has the advantage of affording entrepreneurs' self-sufficiency. It also means that she does not give up some of the ownership of the company to investors because failure to put their personal savings to fund deals means that they will have to borrow large sums from outside lenders.

It also shows the seriousness of the entrepreneur and the faith she has in her business when she uses her personal savings to finance her business deals. In fact, investors and creditors expect business owners to invest their personal cash into their business venture because if the entrepreneur is not confident enough to put her money into the business, creditors would not invest. Retirement benefits schemes are among many platforms that provide a secure personal savings.

The "pecking order" theory, one of the many theories of predicting business finance decisions, argues that companies favour the financing method that has the least information sensitivity. Thus, as per this theory, deals are preferably funded using funds raised internally. However, if internal sources are inadequate, external sources will be used.

Friends and family members can also be an excellent equity fund source. An advantage of this is that it is especially excellent to fund deals for start-ups before venture capitalists and private investors can be attracted.

However, there are dangers involved in family business investments such as misunderstood risks and unreasonable expectations and these have ruined many relationships. The entrepreneur must ensure such collaborators have understood the risks clearly and ensure there is a written contract.

Private investors ("angels") are also a source of equity funds. Angels are usually wealthy entrepreneurs who fund businesses for equity stakes. Angel money has provided the much-needed funds to entrepreneurs for a long time now. Angels often fund companies to gain more than just equity: they often have a vast personal experience in a particular field and may want to invest in a company before venture capitalists do so.

Angel funds are best suited for deals that are beyond the means of family and friends or personal savings and cannot also attract venture capital firms as they are too small. The disadvantage with angels is that they will get an equity stake in the business and they are also not easy to find since they are established entrepreneurs so one must have the right contacts.

Venture capital firms have a pool of capital they use to secure equity stakes in small companies with a good profit and growth potential. The downside is that screening processes are extremely rigorous and they only invest in a tiny fraction of applications.

Further, venture capital firms will get a stake in the business and may sometimes sit in the board of directors or appoint new managers to protect their money. They also expect high returns immediately and are also ready to pull out their funds since they always create a viable exit strategy.

For instance, in merger and acquisition transactions, equity is not the best used as a financing method if the acquiring entity believes that their company is overvalued. When an acquiring firm makes cash offers, however, it is usually viewed as a good reflection of its true value, and cash-driven acquisitions perform significantly better as some studies have shown. However, despite these indications by these studies, positive performance when it comes to mergers and acquisitions is more common in debt-financed deals because these studies were focussed on payment method rather than source of funding.

The second broad category when it comes to financing deals is debt financing. It entails the borrowing of money that must be repaid with interest. Those who lend funds are more in number compared to investors so debt is more readily available. Also, borrowed money will not change in any way the ownership of the company. However, it becomes a liability that is reflected on the balance sheet.

Further, debt financing is lower than equity in terms of cost than equity financing due to the greater risk of providing equity to companies. In this regard, generally, companies who are not looking to lose some control of their stocks or business may prefer debt to equity financing.

There are various sources of debt funds. Commercial banks are usually conservative for purposes of securing their credit so they require proof of the business's stability and creditworthiness. Banks offer commercial loans in the form of secured loans and unsecured loans to businesses depending on their creditworthiness.

Banks also provide "lines of credit" (short-term loans with a certain limit and which are fast and convenient) designed to help companies and businesses with the funds to run their daily operations. "Floor planning" is used to finance the inventory of retailers of expensive items such as cars and boats. The downside of floor planning is that the bank retains a security interest in each item as it maintains its title as security. Long-term loans, usually obtained by collateral, are not easy to qualify for due to the high risk involved for the bank. "Term loans" often given to highly-creditworthy businesses place covenants on how the entrepreneur may run the businesses.

Aside from commercial banks, asset-based financing, which involves using idle assets as

security for loans is a good way of financing deals for wholesalers and manufacturers that have huge inventory but are cash-strapped. There are two ways of going about asset-based financing: discounting accounts receivable (using accounts receivable as security) and inventory financing (using inventory as collateral).

Asset-based financiers, though interested in a corporation's cash flow, are more concerned with the quality of the items pledged as security. The downside to pledging inventory as collateral is that it reduces the percentage of the value of the asset that the financier will lend (usually referred to as "advance rate") because liquefying inventory is hard. A good accounts receivable, on the other hand, may fetch a higher advance rate.

Stockbrokers can also provide the much-needed cash for companies to finance their deals. Borrowing from stockbrokers is best suited for those companies that have stocks and bonds and are looking for loans with lower interest rates (margin loans) which are lower because of the high quality of the bonds and stocks.

The good thing about brokerage firms is that they can set up a line credit for the borrower for ease and convenience, and there is no fixed repayment timeline as long as the collateral still meets the lender's minimum requirements. The downside, however, is that brokers typically put a cushion amount on margin loans so that if the value of the security reduces, the stockbroker may make a "margin call" and ask for more cash. Another source of debt is bonds. A bond is a corporate IOU, and bonds have historically been used by large corporations to get debt. Due to the high costs of bonds, they are more suitable for companies that make huge sales and need enormous amounts of capital. Typically, the process of issuing bonds is similar to offering stock to the public so that means that they involve lots of paperwork and legal costs. The advantage, however, is that bonds require lower interest rates compared to traditional lenders and are a good option for those seeking to get long-term funds but at fixed rates. In mergers and acquisitions, debt funding seems to be preferred. Acquisitions done using locally-generated money do not perform as well as those that are debt-funded. The reason may be that debt-funding creates a positive response by the financial markets relative to equity funding. Debt funding indicates that the takeover has a tax protection and is profitable. Debt-funding also enhances accountability and transparency due to the close inspection of the markets. In Europe, for example, where debt-funding usually happens through banks, the bank's decision to approve the debt is a positive indication. Banks utilize their superior resources to look out for bad mergers and acquisitions and so they finance only profitable deals.

For a long time in Kenya, the use of retirement benefits savings was restricted. The advent of the Covid-19 pandemic has led to a shift in law where now one can access 40% of his retirement benefits savings to purchase a residential home. The change in law is a welcome and propagates the ideas of human dignity and self-fulfilment in having a home. Perhaps the rationale for the restriction on use of retirement benefits savings in the first place was the fear of 'depletion of retirement savings before old age.' The scope of the market is not infinite even in the most liberal societies.

Likewise, it would be improper for one to voluntarily enslave themselves, as John Stewart Mill has argued. In the same vein, one may not contract to enslave another, as used to happen before the passage of the Eighth Amendment following the Civil War in the United States and the abolishment of slavery in Britain and other parts of the world. This restriction on slavery is clear: it strips the individual of the right to govern her affairs, own property and engage in trade. The shackles on use of retirement benefits savings are now broken and can be used to fund a home.

The Covid-19 pandemic has negatively impacted manufacturing and service industries. The financial markets will continue to be volatile as a result. The choice of capital sources can affect the company in the long-run.

An entrepreneur must therefore be creative in making this decision so as to ensure there is synergy between themselves, their businesses and their financial sources.

RETIREMENT BENEFITS INDUSTRY REPORT FOR JUNE 2021

1.0 OVERALL ASSETS UNDER MANAGEMENT

The retirement benefits assets under management increased by 5.66 percent from Kshs. 1,398.95 billion in December 2020 to Kshs. 1,478.18 billion in June 2021. Compared to the same period last year (June 2020) the assets grew by 11.76 percent, up from Kshs. 1,322.59 billion in June 2020. The slow growth in the assets during the period can be attributed to the adverse effects of the Covid-19 pandemic which has impacted the financial markets and the wider economy negatively since 2020 following the restrictive measures imposed as part of the effort to contain the spread of the coronavirus disease. The fund managers and approved issuers held majority of the assets amounting to Kshs. 1,319.31 billion. The assets under management included Kshs. 190.26 billion of NSSF funds, which were managed by four (4) external fund managers. The National Social Security Fund (NSSF) internally managed a total of Kshs. 89.41 billion of investments , while the trustees of the various schemes directly managed Kshs. 69.45 billion of property investments[2].

The schemes continued to invest heavily in government securities with the asset class accounting for 44.12 percent of the total assets under management. This was followed by quoted equities which accounted for 16.90 percent; investments in guaranteed funds accounted for 16.74 percent and immovable property accounted for 16.73 percent. Investment in quoted equities increased by 14.52 percent compared to December 2020 owing to the slow rebound of the stock market after the effects of the covid-19 pandemic. The offshore investments continued to record an upward trend increasing from Kshs. 11.38 billion in December 2020 to Kshs. 16.73 billion in June 2021 representing an increase of 47.7 percent. This can be partly attributed to the depreciation of the Kenya shilling against the dollar and the fact that schemes are pursuing diversification due to the stock market volatility. Cash and Demand deposits also recorded a jump from Kshs. 12.24 billion in December 2020 to Kshs. 17.91 billion in June 2021 representing a 46.32 percent increase.

However, investments in listed corporate bonds, unlisted bonds, unquoted equities, fixed deposits, and REITS dropped during the period. Investment in alternative assets showed mixed results. Investment in private equity and venture capital continued to be attractive to schemes due its diversification effects, which increased by 49.78 percent from Kshs. 1.67 billion in December 2020 to Kshs. 2.50 billion in June 2021 accounting for 0.17 percent of the total assets up from 0.12 percent in December 2020. Investment in REITS, however, continued to decline from Kshs. 280 million in December,2020 to Kshs. 142 million in June 2021.

The period under review saw the emergence of investment under the "any other assets" category following the approval for some schemes to investment in the unlisted Income and Development REIT by Acorn Holdings Limited and offered under the Nairobi Securities Exchange under the Unquoted Securities Platform (USP). The investment under any other assets amounted to Kshs. 730 million accounting for 0.05 percent of the total assets.

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

[1] This includes property amounting to Kshs. 44.83 billion; government securities, Kshs. 18.03 billion; fixed deposits, Kshs. 5.46 billion; Quoted equities, Kshs. 20.56 billion, and unlisted shares, Kshs. 534 million.

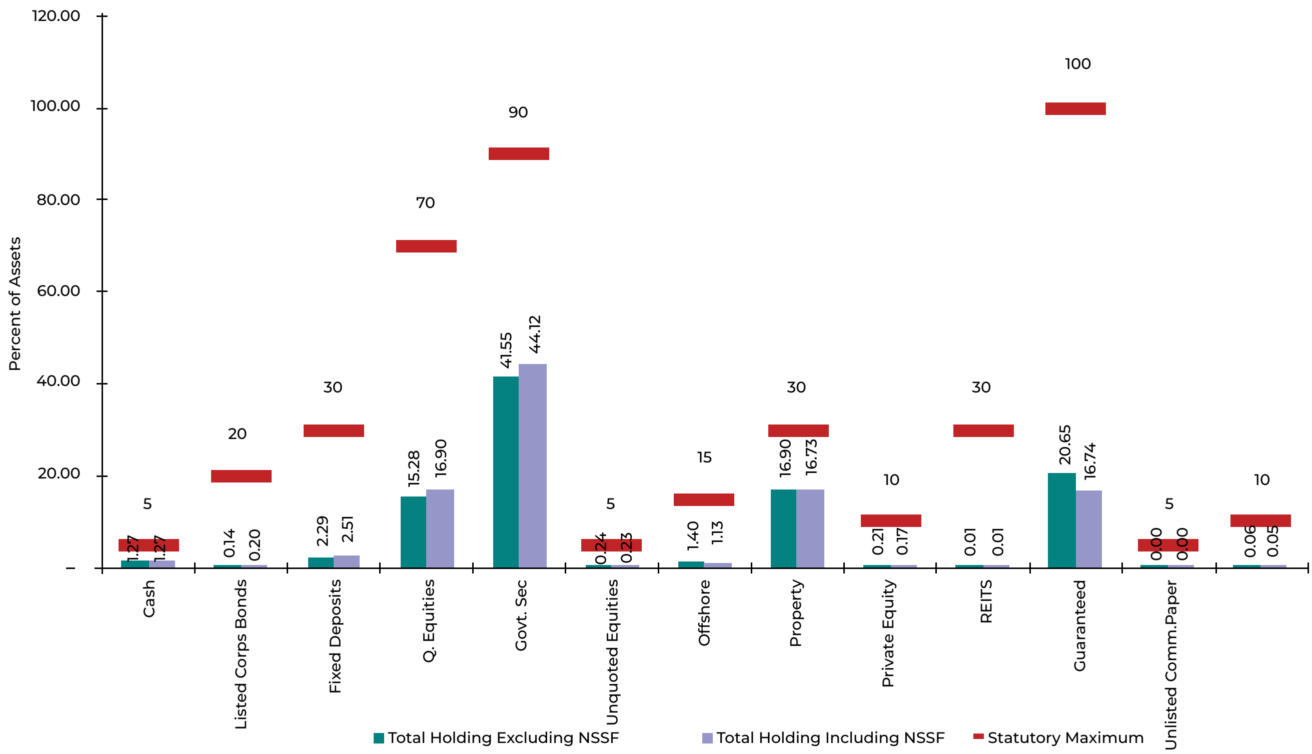
[2] The data of the internally managed property was extracted from the Schemes Financial Accounts for the year 2019 and 2020. The decrease in the internally managed property over the periods can be attributed to the directive issued by the Authority requiring schemes to relinquish the investment of scheme funds to fund managers.

OVERALL INDUSTRY INVESTMENT PORTFOLIO (KSHS. BILLION)

Assets Category	Dec. 18		June 19		Dec. 19		June 20		Dec.20		June 21	
	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
1. Government Securities	459.68	39.41	518.4	41.64	545.27	41.88	581.82	43.99	625.6538755	44.7229877	652.11	44.12
2. Quoted Equities	201.51	17.27	203.63	16.36	228.12	17.52	187.47	14.17	218.1185883	15.59155201	249.79	16.90
3. Immovable Property	229.91	19.71	233.64	18.77	239.65	18.4	246.14	18.61	251.2718265	17.96141165	247.35	16.73
4. Guaranteed Funds	167.45	14.36	186.46	14.98	201.52	15.48	221.39	16.74	230.5995251	16.48371428	247.52	16.74
5. Listed Corporate Bonds	40.28	3.45	34.45	2.77	17.8	1.66	9.24	0.70	5.254672209	0.375614457	2.90	0.20
6. Fixed Deposits	36.39	3.12	40.04	3.21	39.41	3.03	44.75	3.38	39.0354433	2.790331394	37.07	2.51
7. Offshore	13.13	1.13	7.24	0.58	6.32	0.49	5.92	0.45	11.37638392	0.813206627	16.73	1.13
8. Cash	12.72	1.09	15.78	1.27	14.96	1.15	21.82	1.65	12.23767859	0.874773689	17.91	1.21
9. Unquoted Equities	3.79	0.33	3.72	0.3	3.61	0.28	2.5	0.19	3.416904918	0.244247183	3.40	0.23
10. Private Equity	0.86	0.07	0.91	0.07	0.969	0.07	1.17	0.09	1.671474711	0.119480348	2.50	0.17
11. REITS	0.71	0.06	0.59	0.05	0.503	0.04	0.29	0.02	0.275798544	0.01971463	0.14	0.01
12. Commercial Paper, Non-listed bonds by Private companies	0.06	0	0.06	0	0.059	0	0.078	0.01	0.041493436	0.002966034	0.02	0.001
13. Any Other Assets											0.73	0.05
TOTAL	1,166.49	100.00	1,244.92	100.00	1,298.19	100.00	1,322.59	100.00	1,398.95	100.00	1,478.18	100.00

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

OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM



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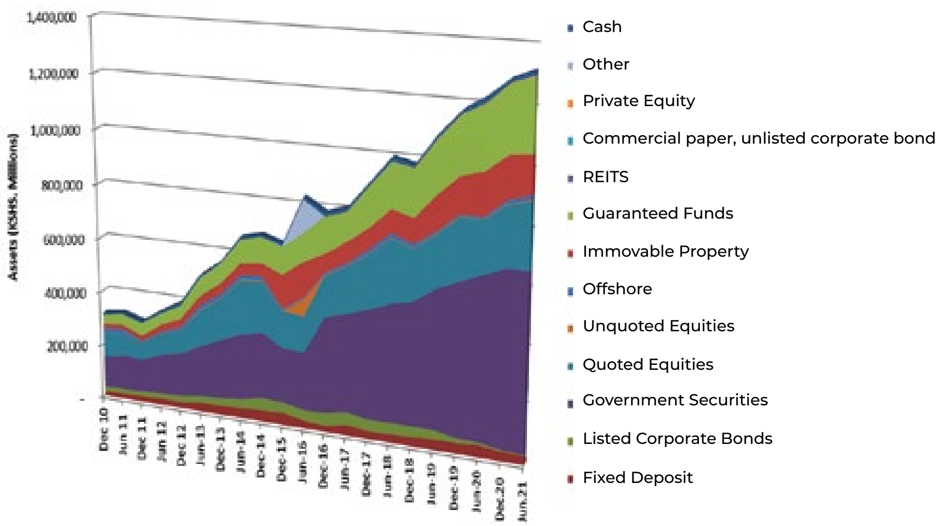
2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending June 2021, 17 fund managers and 18 approved issuers, submitted 1,184 scheme reports with a total fund value of Kshs. 1,319.31 billion representing 2.6 percent increase in the total assets under management up from Kshs. Kshs. 1,286.41 billion in December 2020. Compared to the same period last year (June 2020), this was 7.9 percent increase of total assets under fund management from Kshs. 1,222.74 billion in June 2020. The total assets managed by fund managers amounted to Kshs. 1,071.80 billion while the approved issuers managed only Kshs. 247.52 billion despite managing funds of majority of the schemes[3] . During the period, fund managers reported investments under "any other asset class" following approval of some of the schemes to invest under this category. The schemes invested in the unlisted Income and Development REIT by Acorn Holdings Limited which was offered through the Nairobi Securities Exchange under the Unquoted Securities Platform (USP). The drop in the investments under any other assets over the periods is attributed to the introduction of new assets classes[4] .

ASSETS UNDER FUND MANAGEMENT (DEC. 2010 – JUNE 2021)[5]



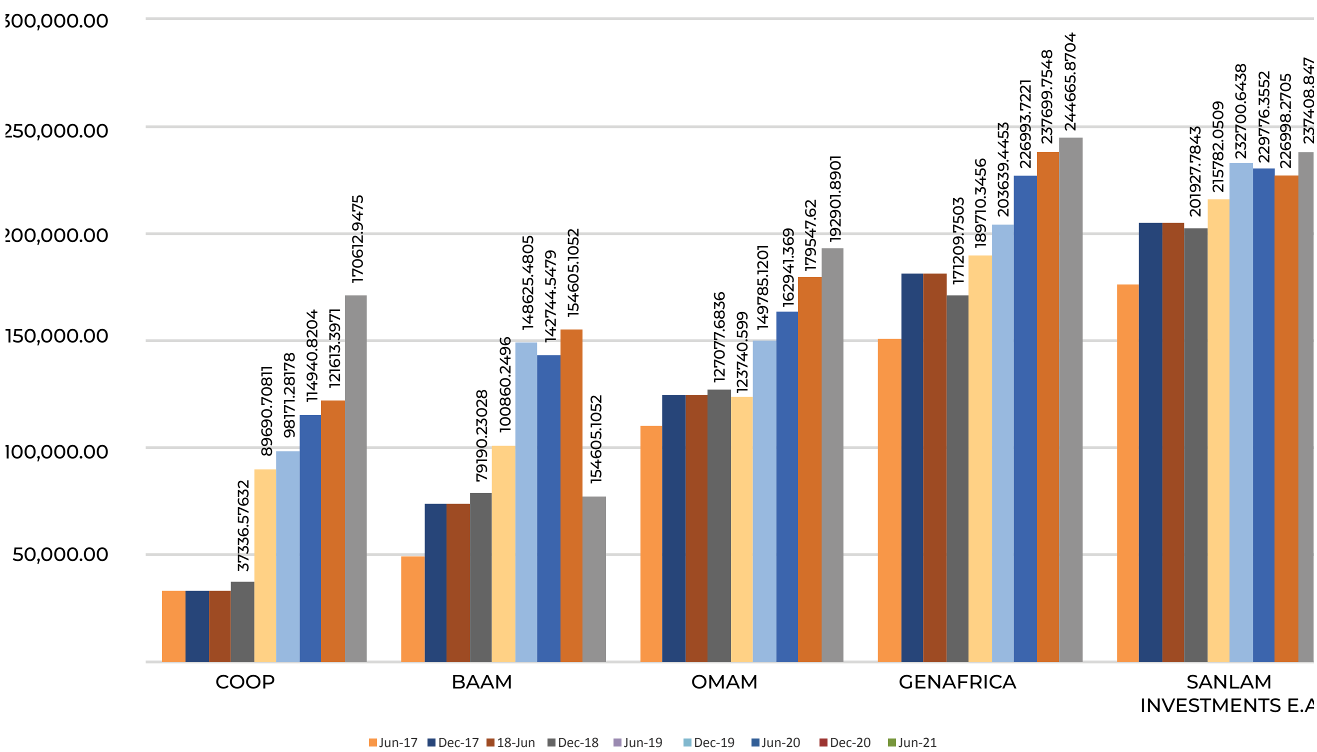
In terms of investments by specific fund managers and approved issuers, GenAfrica asset managers had the largest share of assets under management amounting to Kshs. 244.67 billion which translates to 18.54 percent of the total assets under fund management, this was followed by Sanlam Investments East Africa Company in position two with assets amounting to Kshs. 237.41 billion which translates to 17.99 percent of the total assets under fund management. The top five fund managers during the period were (GENAFRICA Asset Managers, Sanlam Investments East Africa, Old Mutual Investment Group Limited, Coop Trust Investment Services, and British American Asset Managers Ltd) managed the bulk of the investments with the total assets under management (AUM) amounting to Ksh. 922.54 billion accounting for 69.93 percent of the entire AUM. The assets managed by British American Assets Managers dropped drastically during the period from Kshs. 154.6 billion in December 2020 to Kshs. 76.95 billion in June 2021 representing 50.2 percent decline. This can be attributed to loss of business by NSSF where it was managing over Kshs. 82.28 billion in December 2020. 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.

[3] The Fund Managers submitted 449 scheme reports while the approved issuers submitted 735 scheme reports.

[4] 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.

[5] During the period June 2016, a total of Kshs. 117.55 billion of investments was reported unclassified. Over the subsequent periods, all the investments were classified.

ASSETS UNDER MANAGEMENT BY TOP FIVE MANAGERS (JUNE 2017 – JUNE 2021



3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

The total investments held by NSSF increased by Kshs. 15.86 billion to Kshs. 279.67 billion in June 2021 up from Kshs. 263.81 billion in December 2020. NSSF managed internally assets amounting to Kshs. 89.41 billion .

The externally managed funds decreased over the period by Kshs. 19.5 billion, down from Kshs. 209.76 in December 2020 to Kshs. 190.26 billion in June 2021.

The Coop Trust Investments Services came back after the British American Asset Managers Limited was dropped as part external manager for NSSF assets.

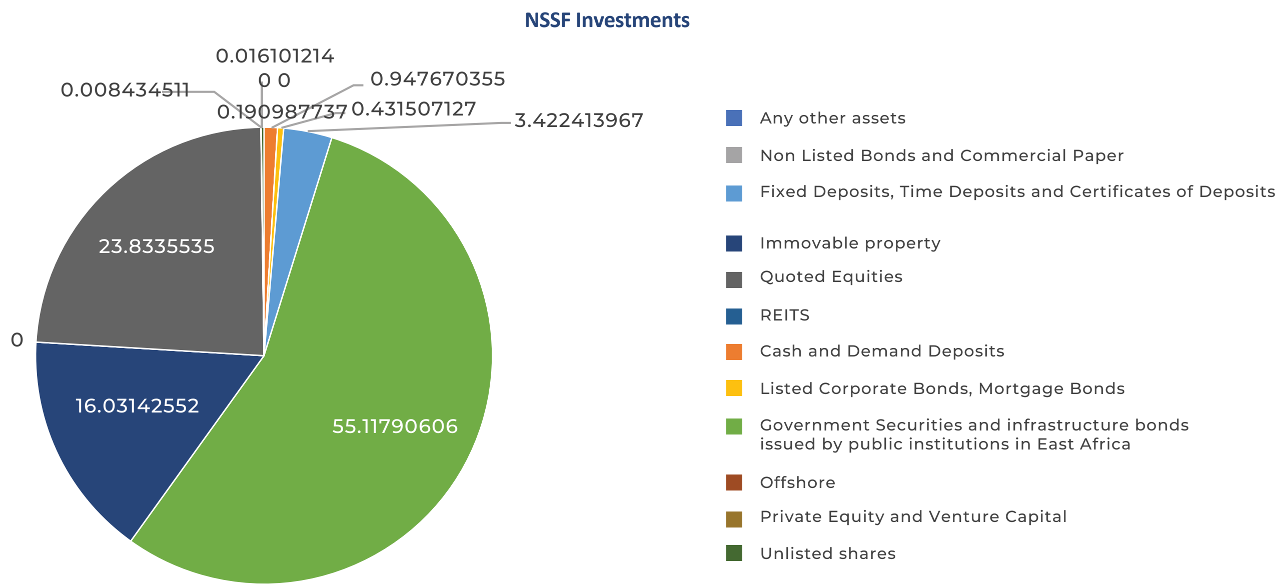
[6] These represent investments in immovable property (Kshs. 44.83 billion); quoted equities (Kshs. 20.58 billion); government securities (Kshs. 18.02); unquoted equities (Kshs.534.3 million); and fixed deposit (Kshs. 5.46 billion).

The table below shows the distribution of the NSSF funds to the various fund managers.

NSSF PORTFOLIO MANAGED BY EXTERNAL MANAGERS

Assets in Millions												
Fund Manager	Dec. 14	Dec. 15	Dec. 16	June. 17	Dec. 17	June. 18	Dec.18	June. 19	Dec. 19	Jun-20	Dec. 2020	Jun-21
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	76,287.85	82,286.38	-
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	43,437.59	47,812.12	51,643.24
ICEA Lion Asset Management Limited	13,269	18,058	20,534	23,826	25,953	-	-	-	-	-		-
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	38,815.51	42,197.08	46,057.90
Stanlib Investments Kenya Limited	12,246	18,494	21,639	25,316	27,738	30,462.79	-	-	-	-		-
African Alliance Kenya Investment Bank Limited	-	-	-	-	-	26,735.70	27,005.72	29,696.78	33,097.05	34,538.02	37,463.07	51,818.25
Pinebridge Asset Managers	14,962	-	-	-	-	-	-	-	-	-		
Co-op Trust	12,652	-	-	-	-	-	-	-	-	-		40,736.52
Total	**79,606**	**102,453**	**116,493**	**133,630**	**143,303**	**155,275.26**	**125,913.84**	**138,657.24**	**191,709.00**	**193,078.97**	**209,758.65**	**190,255.92**

The overall NSSF portfolio is heavily invested in government securities representing 55.12 percent of the total assets. This was followed by quoted equities and immovable property at 23.83 percent and 16.03 percent, respectively. The NSSF portfolio allocation complied with the investment guidelines.



4.0 FUTURE OUTLOOK

The retirement benefits assets are expected to grow at a slow rate in the second half of 2021 owing to the effects and uncertainties arising from the coronavirus (Covid-19) pandemic and the political environment. The schemes are expected to continue to invest in alternative assets given the broadening of the allowable investment categories and to take advantage of the public infrastructural projects under the big four agenda.

Opinion

WHY LUMPSUM PENSION PAYMENTS DON'T LAST

By Samson Osero

Most pension schemes are designed to do lumpsum payments to their beneficiaries on the assumption of full-debt settlement at once. Nobody makes a follow up on whether or not the sum was used over the long period for which it was intended. The reality on the ground is that the sums are usually short-lived making retirees live as paupers during their post-retirement life.

Here are reasons that make the retirees to deplete the lumpsum payouts within a short period and how its expenditure may be controlled.

Poor Money Management

Money management is one of those subjects whose skills people are assumed to possess without undergoing any training. It is a subject that is not covered in our education system except when it relates to finances of organisations. From the time people receive the first employment salary to the last one, many people spend, save and invest money without serious deliberate budgeting. Others use their salary and account for its expenditure items after spending. The same people, who already have preferred money spending habits, will face challenges in managing the retirement money once paid in lumpsum.

Retirees lack personal financial management skills that would be handy in making prudent allocations of lumpsum payments to cater for immediate and future expenditure needs. On receiving the money, some are engulfed with euphoria akin to that of lottery winners. Being possibly the largest amount of money that they have ever received at once in their life, they begin spending it without a budget assuming it is inexhaustible.

Without any budgetary allocations for their immediate or future financial needs, some retirees would put all the money where they can access it 24/7. It does not take long before they wipe it out and regrets set in. Some have been heard complaining that lumpsums are cursed to evaporate as easily as they were received.

But the truth of the matter is that expenditure regrets would have been unheard of if the retirees had budgeted for the big sums taking into account their short-term and long-term financial requirements.

Money required immediately would be put where it can be easily accessed. The remaining amount would have been saved in fixed accounts for future purposeful withdrawals.

This separation of money into the two categories can be a stop-gap measure to instill financial discipline.

Outstanding Obligations

Plans for cautious expenditure of the lumpsum money is usually affected by the amount of outstanding financial obligations retirees must meet. Some of the obligations may include outstanding loans, due mortgage repayments, unfinished construction projects and pending school or college fees, among others. Early planning for retirement would enable one to align their finances to avoid some of these expenditures at retirement time.

Any mortgages or bank loans should be scheduled for full payment to coincide with or way before the retirement date. People are expected to undertake projects such as building a retirement home during the working period. Delays in implementing such projects at the right time will erode the retirees' terminal payments.

Instead of using the retirement money for living a comfortable retirement life, the retirees would spend the money to finish uncompleted projects.

Bad Company

Retirees with bad company would be at risk of misusing their lumpsum payments. There are people who mislead retirees for their own selfish interests because they are aware that the retirees have huge sums of money for which they have not made concrete spending decisions. They will entice retirees with a variety of money-making ventures most of which are not viable.

Retirees should beware of such self-appointed financial advisers that could escort them to misery and desperation.

The next category of bad company are people who are extravagant in buying goods or services that may not be of immediate or future use.

With money that was not planned for, retirees may be encouraged to go for shopping sprees that hurt their finances. The sprees are done under the umbrella of acquiring items one has always wanted to own but lacked money. The lumpsums become handy for even items imagined to be useful in retirement life such as modern household electronic goods.
The other classification of bad company is fellow retirees who have the hang up for travelling to exotic tourist destinations. They argue that retirement is the time to see the world without factoring in the financial implications of travelling for tourism.

After such trips, some retirees drift into depression on realising that the lumpsum money is dwindling. As much as travelling on touristic grounds is a good pass time, it is advisable for retirees to mind the financial consequences of leisurely trips before undertaking them.

With a lot of free time on their hands, some retirees are bound to spend their hard-earned money on social activities such as excessive drinking and/or consuming hard drugs.

Social engagements that require spending retirement money are sure ways of misusing the lumpsum money. Addiction to alcohol and drugs would fuel further expenditure on these items making one broke with no chances of recovery.

Wrong Business Choice

Venturing into business to become one's own boss and provide a source of income is an attractive proposal to retirees. One of the challenges of implementing the proposal is the retirees' lack of business skills and experience. Those that start small enterprises without prerequisite know-how soon close down because entry into business is a new vocation to retirees. They need to adequately prepare themselves through acquiring prerequisite business knowledge and skills.

Retirees who choose wrong businesses end up losing money which they had set aside for future use. Chances of business success will depend on factors such as a good business idea; availability of its market, adequate startup capital and capability to run the enterprise. Retirees who intend to open businesses are encouraged to attend business start-up and management programs.

From the foregoing, it is evident that retirees with lumpsum money seem predisposed to many factors that influence them to spend most of the money as quickly as possible. Some squander the money hoping that by the time it is zero balance they would have found another source of reliable income. To rescue retirees from the stubborn risks that face lumpsum payouts, the retirement industry needs to promote financial literacy in time before retirement sets in.

The writer is a HRD Consultant and Author of Transition into Retirement. He can be reached on samsonosero@gmail.com

Opinion

CHOICE OF RETIREMENT VOCATIONS

By Samson Osero

Jeremiah Songito aka Jeremy was two years away from his mandatory retirement age of 60 years. He had worked in the civil service for 33 years where he rose through the ranks to become a Principal Human Resource Officer. With a Masters' degree in Human Resource Management from a renowned university in UK; a Certified Human Resource Professionals (CHRP) qualification and 10 years of HR experience at a senior level, he was poised to use his capabilities for another vocation in retirement.

However, he dreaded the early days of transiting into retirement in which he would on a daily basis do nothing productive during wakeful hours. Jeremy began to appreciate that his full-time employment provided him with a purpose and an identity in life. It also accorded him with an opportunity to utilize his knowledge, skills and experience in contributing towards national development.

The no-occupation emptiness that was awaiting him at the onset of retirement created a deep chasm in his mind. He needed to fill this yawning gap so as to live a purpose-driven, enjoyable and fulfilling a retirement life.

One Sunday afternoon Jeremy visited Moses Mogike in his residence at Kitengela suburb. Moses was his old friend and a colleague in the civil service who had retired five years ago. Moses told Jeremy "Retirement is not a time to have nothing to do. It would be important to begin pondering over some of the vocations you can venture into to live a productive retirement life."

Venture into Business

Moses continued: "One of the alluring vocations in retirement is to venture into business. This can serve as a soft landing from a full-time job. It can also create a new source of income for you."

Although business opportunities are many, a fresh retiree will face the challenge of selecting a viable business. Moses had explored how to convert his previous HR career experience into a new vocation.

He opened an HR and organisation development firm to offer consultancy services to small and medium enterprises in his locality. He worked from the comfort of his home executing assignments which did not require a formal office. A number of employers outsourced part-time work assignments from Moses which became his income stream. They also uploaded requests for

HR consultancy bids on their websites or through advertisements on local dailies. Moses bid for the tenders some of which he was awarded.
Before pursuing the consultancy business idea, Moses was first satisfied that there was a ready and growing market for its services. Next in the evaluation of the business idea, he estimated the finance he required for starting and running the business. Since he wanted to work from home, the total startup costs were minimal.

Moses added: "Whichever business you would like to venture into, you need to have adequate initial capital and money for the day-to-day running costs." People who have been in full-time employment will find out that managing a business enterprise is a totally new ball game. It requires different skill sets such as production, marketing and finance. A retiree can acquire relevant business knowledge and skills through training or take up online lessons.

Return to Work

Jeremy told Moses: "I would like to search for an HR or related job in retirement. Are such jobs available for retirees?" Moses indicated that already the labour market was saturated even for entry level positions.

However, retirees with skills which are in high demand can land on new jobs. Moses was quick to add: "In case you want to return back to the job market, there are many sources of information on available openings. For example, you can use personal contacts; previous professional colleagues or market yourself on social media platforms such as LinkedIn." To follow this route, it would be important for a retiree to craft a new CV and link up with prospective employing firms some of whom post vacancies on their websites. The challenge for retirees returning back to formal employment again is coping with subtle discrimination due to intergenerational issues.

Become a Volunteer

Jeremy always entertained the idea of giving back to society in his retirement. In this regard, he asked Moses: "How can this be possible when my pension will not be adequate even for my living expenses?" Moses told Jeremy: "Giving back to the community is not necessarily giving money to people in your village. It is about utilizing your skills and experience without expecting any reward in return. For instance, you can provide advice on HR matters free of charge."

Opportunities in the voluntary sector exist in NGOs that offer support to vulnerable people who cannot be catered for by the government alone. Some NGOs advertise available volunteer positions in both print and electronic media. Moses said: "You can choose a social issue for which you want to become a volunteer. Let it be an area you are both passionate and interested about for self-actualisation purposes." He gave stories of two retirees whose contribution left them an enviable legacy in their communities." The retirees believed that progressive individualism was not a stumbling block to promoting social equity.

Engage in Activism

The conversation continued into lunch hour as both exchanged stories on retirees who had succeeded and those who led miserable lives. Moses gave an example of retirees who became activists on societal issues that ranged from environmental protection to rights of internally displaced people.

However, he said: "I have not participated in activism for personal reasons. How about you?" Jeremy had been harbouring the urge to conserve the environment but did not have time to participate in relevant public activities. Moses pointed out: "I admire activists who champion societal issues that need to be addressed through formation and operation of Civil Society Organisations (CSOs). In response to pressure from CSOs, the Government has sometimes developed and implemented relevant national policies and programs."

The internet has a list of national and international CSOs involved in a wide range of socio-economic activism. Jeremy would choose and approach the organisations for more details on their activities.

Enter Missionary Work

Knowing that Jeremy was a born-again Christian, Moses said: “Religion plays a central role in our lives as means of worshiping God, praying for providence and living with spiritual values. If you get a calling, you may choose to undertake a ministerial role in your church establishment.” Moses cautioned that spiritual inspiration needs to be coupled with relevant religious education and training in pastoral roles.

At about 3 pm Jeremy asked to leave Moses' house. When seeing him off to his car, Moses said: “All said and done, the choice of a vocation in your retirement will depend on your passion, interests and skills. Through a new vocation, you will once again enter into the mainstream in another capacity. For you to face and resolve the issues inherent in a newfound vocation in retirement, you will need determination, patience and resilience.”

It is possible, with proper planning and self-management, for retirees to live a meaningful retirement whose legacy could speak for itself.

The writer is a HRD Consultant and Author of Transition into Retirement. He can be reached on samsonosero@gmail.com

ZAMARA TO MANAGE MALAWI PUBLIC SERVICE PENSION FUND

By Brian Ngugi

Pension fund administrator Zamara Group has inked a deal to manage the Malawi public service pension fund.
Zamara Group, which manages Ksh300 billion pension funds for 170,000 Kenyans and operates in six other African countries said it would replicate its Kenyan model in Malawi.

Zamara acquired a majority stake in a pension fund administration business in Malawi last year called Axis Pensions, a business which had been in operation for more than eight years.

Zamara Chief Executive Sundeep Raichura. FILE PHOTO | NMG

"We see great scope in a country like Malawi which has a compulsory pension system and are looking forward to making a positive contribution to the pensions sector in Malawi by providing innovative yet simple pension solutions," said Zamara chief executive Sundeep Raichura.

Local media reports estimated the pension deal at Ksh80 million or 556.8 million Malawian kwacha. Mr Raichura, however said no final figure for the deal has been established so far.

This article was first published in the Business Daily on 25th August 2020.

HOUSE DEPUTY SPEAKERS GET PENSION FOR LIFE

By John Mutua

Deputy speakers of Parliament will be added to a list of State officers entitled to retirement benefits for life if lawmakers approve proposed changes that will increase the burden on taxpayers to keep top officials comfortable after exiting office.

The National Assembly Committee on Finance and National Planning said that the proposal is in line with similar perks extended to retired top State officers in the Judiciary and Executive—including a monthly pension, cars, drivers, fully furnished offices and police officers seconded by the State, all at the taxpayers' expense. The committee has adopted the proposal by former deputy speakers David Musila, Farah Maalim and Kembi Gitura that holders of the key office be granted retirement perks through amendments to the Retirement Benefits (President and Deputy President) Act of 2015.

"In their memoranda, the former deputy speakers submitted that the Retirement Benefits (President and Deputy President) Act of 2015 should be amended to include deputy speakers of Parliament as beneficiaries of the retirement as is the case with the Executive and Judiciary," the committee said.

Mr Maalim served as Deputy Speaker in the National Assembly between January 2008 and January 2013 and was succeeded by Mr Musila from March 2013 to August 2017. Mr Gitura was Senate Deputy Speaker from March 2013 to August 31, 2017.

Both the Salaries and Remuneration (SRC) and the National Assembly Committee on Justice and Legal Affairs have approved the proposals contained in the Statute Law (Miscellaneous Amendments) Bill of 2020.

Article 230(4) of the Constitution mandates the SRC to set and regularly review the remuneration and benefits of all State officers and advise the national and county governments on the remuneration and benefits of all other public officers.

“The committee having considered the Bill clause by clause and submissions by the various stakeholders proposes that the Statute Law (Miscellaneous Amendments) Bill be passed subject to inclusion of the proposed amendments as captured by the various departmental committees,” the Justice and Legal Affairs committee said.

Though the Finance and Planning committee did not disclose the exact perks proposed for Deputy Speakers of Parliament, indications are that they could largely mirror what is already enjoyed by retired State offices whose pension is captured under the Deputy President and Designated State Officers Act, including National Assembly Speakers, Chief Justices and their deputies as well as vice-presidents.

Speakers of the two Houses are entitled to a monthly pension equal to 80 percent of what they earned in the last month in office, among other benefits.
The Speaker of the National Assembly and his Senate counterpart earn Ksh1.155 million as gross monthly pay.

Besides the monthly pension, a speaker gets a lumpsum payment on retirement (calculated as a sum equal to one year’s salary paid for each term served in office), a saloon car (2,000 cc) and a four-wheel drive (3,000 cc). The cars are replaceable once every four years.

Other benefits to a retired speaker are a fuel allowance equal to 15 percent of current monthly salary and full medical and hospital cover providing for local and overseas treatment that also covers his spouse.

A speaker is further entitled to two drivers, one personal assistant, one secretary, one house keeper, a one senior support staff, one gardener, one cleaner, two police officers and diplomatic passports.

This article was first published in Business Daily on 20th October 2020.

PENSION FUNDS RAISE PRIVATE EQUITY INVESTMENTS BY 20 PERCENT

By Charles Mwaniki

Pension fund investments in alternative asset classes such as private equity (PE) rose by a fifth in the first half of this year to cross the Ksh1 billion mark for the first time in search of returns in a difficult environment caused by the Covid-19 outbreak. Industry data provided by the Retirement Benefits Authority (RBA) shows that although the share of PE and venture capital is still small in the overall register of assets under management, it is growing faster than any other class, albeit from a low base. The RBA report for June 2020 showed that the investments in PE and venture capital stood at Ksh1.17 billion, up from Ksh969 million in December 2019 and Ksh910 million in June 2019.

Retirement Benefits Authority Chief Executive, Nzomo Mutuku. FILE PHOTO | NMG

"Investment in alternative assets by schemes has gained traction with an inclusion of Private Equity & Venture Capital as an assets class. Investments increased by 20.74 percent to Ksh1.17 billion in June 2020, accounting for 0.09 percent of the total assets," said RBA in its industry report. Pension funds started investing in private equity in 2016 following a change in the Retirement Benefits Act 2016 that allowed them to put in up to 10 percent of their assets in this class. PE investments stood at Ksh220 million at the end of 2016.

Overall, the industry assets under management stood at Ksh1.323 trillion at the end of June 2020, having grown by 1.9 percent from December 2019's Ksh1.298 trillion. Government securities continued to dominate, accounting for 44 percent of the total assets under management, having grown by 6.7 percent in the period.

Property was second, accounting for 18.6 percent, while investments in guaranteed funds accounted for 16.7 percent and quoted equities for 14.17 percent. "Investment in quoted equities dropped by 17.8 percent during the period, owing to the volatility in the stock market arising from the Covid-19 pandemic shocks. Investments in listed corporate bonds, offshore, unquoted equities and REITS also dropped during the period," said RBA.

The funds normally turn to government securities due to the guaranteed positive returns and the risk-free nature of this investment class.

This article was first published in Business Daily on 2nd October 2020.

OPERATING COSTS ERODING ACCRUED WEALTH FOR RETIREMENT AND WHY SCHEMES SHOULD PURSUE COST EFFICIENCY

By Shem Ouma & Leonard Audi

Retirement benefits schemes are meant to guarantee financial security in retirement by providing a source of income in old age. This goal is realized through collection of contributions, returns through prudent investments and payment of benefits upon retirement. This entire process involves some intricacies and brings along various players thus attracting costs in terms of operational expenses for pension schemes. The total operating costs of private pensions systems include all costs of administration, investment management, safe custody of schemes assets, taxation, regulatory levy, etc.

The business of transforming pension contributions into retirement benefits, particularly for private pension systems, implies that in most instances, pension schemes are required to seek the services of investment managers, administrators and custodians and whose fees they must meet. The fees charged by these service providers constitute the bulk of costs to retirement benefits schemes.

Fund management fees, for instance, is a charge levied by a fund manager for managing pension fund investment. The fee is intended to compensate the manager for the time and expertise for selecting investment assets and managing the portfolio. In Kenya, the regulations provide that "an agreement between a scheme or pooled fund and a fund manager shall make provision for the computation of the fees in respect of management services."

The decision on which model investment fees is charged is left open for schemes to choose and specify in their contractual agreement with the fund manager. The fees can either be performance based, tiered, or flat. Performance-based fee funds have been found to perform significantly better, e.g., for mutual funds in Spain implying a more efficient management of the funds. A survey by RBA in 2015 on schemes' operating costs revealed models based on fixed fees or tiered structure of fees charged as a percentage of assets under management (AUM) where trustees are asked to choose the option that works better for them were prevalent. The tiered model is then reclassified to fixed percentage of total AUM plus an out-performance fee based on an agreed benchmark.

In addition, the survey also revealed that reputation of the fund manager plays a role in determination of fees and charges levied. A manager with higher market share charges more, whereas smaller players charge less to attract more clients and retain existing ones. The average management fees charged by fund managers in Kenya as percentage of AUM is about 0.39%.

The fees, however, differ significantly among fund managers. The variation is brought about by the absence a benchmark or even regulation requiring service providers to publish their fees.

The existing information asymmetry brings about market imperfection since a fund manager has no way of knowing the fees charged by other players hence undercutting and unethical competition is prevalent in the market.

The only protection provided by the regulator is licensing of service providers so that trustees are restricted to the services of the licensed service providers only. This safeguard has been hailed as a suitable mechanism against exploitation by quacks.

Operating costs which comprise fees and charges, which manifest in terms of administrative expenses incurred for record keeping, investment management fees, professional fees, custodial fees, regulatory levies, taxes and penalties for non-compliance with regulations among others, are an integral component in sustaining retirement benefits schemes. The costs vary greatly across pension jurisdictions and types of retirement benefits schemes and are either fixed or variable.

Fixed fees are neither dependent on size of scheme by membership nor fund size. Variable fees, nonetheless, may take the form of a percentage of the inflow of contributions, fund size managed, or investment returns on the assets under management. Significant variations in operating costs exist between Defined Benefits (DB) and Defined Contributions (DC) schemes.

For DC schemes in particular, costs are incurred though payment of service providers involved in the day-to-day operations of the schemes namely: administrators, auditors, fund managers, actuaries, legal counsels, and custodians. These service providers come with different models of charging professional fees making it difficult to determine if the costs they charge are fair, reasonable and accords value for money to schemes.

Studies done in a number of pension jurisdictions including Kenya, OECD countries and many more, reveal that on average, operating costs as a proportion of total assets is estimated at 1.8% for Kenya; range between 0.1% - 0.2% in the Netherlands; and between 0.1% - 1.5% in selected OECD countries.

It is notable, therefore, that operating costs incurred by schemes should be of great interest and importance not only to pension schemes but also pension supervisory authorities because of their significant impact on the amount of retirement income delivered to individual members upon retirement, particularly in the case of defined contribution (DC) pension schemes. The costs have the potential to reduce pension value substantially by affecting the rate of return on investment of pension funds and consequently raising cost of retirement security.

Higher operating costs reduce income for schemes eventually depleting retirement benefits payable to members. For instance, a change on assets by 1% can reduce the value of pension by causing a difference in benefit pay-out ranging between 10% and 20%.

The operating costs can significantly erode accrued benefits for members, particularly when returns from pension funds' investments are poor. Costs incurred by pension schemes thus play an important part in attrition of pension fund wealth hence fees and charges should never be excessive, neither should they be opaque.

In the current era of demand for greater accountability from institutions, retirement benefit schemes are required to be transparent by declaring costs incurred in scheme operations in their annual financial statements. The urge is even greater for DC schemes that are fully funded through contributions by sponsors and members and particularly after a wave of reforms in the pension industry across the globe witnessed a widespread conversion of DB schemes to DC schemes since the year 2000.

Some of the factors that have been identified as influencing operating costs to retirement benefits schemes include; size of a scheme in terms of membership or total assets; investment strategy adopted and choice of service providers. Previous studies indicate that the relationship between costs and scheme size can either be positive or negative with large schemes being likely to achieve cost efficiency through economies of scale.

Likewise, the relationship between costs and the investment strategy adopted by a scheme indicate that a more aggressive investment strategy is likely to attract higher investment income/returns and costs too.

Given the significant costs differences across pension schemes and the huge cumulative impact of operating costs to pension schemes, cost minimization should receive keen attention.

To minimize operating costs, therefore, retirement benefits schemes should explore a number of options, some of which have proven to work effectively, for example, consolidation of small schemes with high operating costs. Such action is justified under the pivotal role played by economies of scale in explaining differences in costs across pension schemes.

Consolidation of schemes has been implemented in Kenya, for example, through the development and operationalization of a legal framework allowing the establishment of Umbrella retirement benefits schemes. This framework allows sponsors with small schemes, and small and inefficient schemes to fold up their operations and join umbrella schemes and benefit from economies of scale.

Other options that could be explored to bring down operating costs for schemes is the use of co-fund management by schemes with high asset values; initiation by Scheme Trustees value for money audits and carefully selecting service providers and negotiating fees charged carefully.

There have been calls to regulatory bodies to regulate fees charged by service providers across various pensions jurisdictions, but they have showed reluctance to implement it in preference for market forces, which should ensure efficiency because of completion amongst service providers.

TRUSTEES ACCUSED OF RUNNING DOWN PENSION SCHEMES

By Winnie Atieno

Rogue trustees risk collapsing the retirement benefits industry through mismanagement and graft, pensions insiders have warned amid calls for the vice to be tackled head-on.

Education Cabinet Secretary, Professor George Magoha, who is a trustee, said the industry must weed out risks to the savings for sunset years.

Zamara Group Executive Director James Olubayi. FILE PHOTO | NMG

Speaking during the seventh Zamara annual retirement conference at Pride Inn Paradise Beach Resort at Shanzu, Mombasa, the CS said the industry should not be in the hands of people with "itchy fingers". Prof Magoha is a board of trustee at the Kenya National Examination Council's Staff Retirement Benefits Scheme.

Zamara Group Executive Director James Olubayi urged employers of domestic workers, drivers, cooks and nannies to save for their employees for their retirement. He said the funds will afford the workers the privilege of living a dignified retirement.

"I would like domestic workers, drivers, cooks and nannies to join the (pension) movement," he said. "Too many times some have fallen short of dignified retirement lives, that is having adequate income, adequate medical cover and sufficient social support, because they started preparing for this marathon too late," he told more than 300 delegates drawn from over 100 schemes.

Mr Olubayi said there is need to confront the challenges facing the industry including governance. "The Retirement Benefits Authority is addressing this. This follows the publication of the Good Governance Guidelines in November 2018, which impresses on the trustees to standardise their processes and procedures," he said.

This article was published in Business Daily on 5th March 2020.

RBA PUTS POSTA SCHEME UNDER ADMINISTRATION OVER KSH1BN BENEFITS

By Boniface Otieno

Retirement Benefits Authority (RBA) has put Postal Corporation of Kenya Staff Retirement Benefit Scheme (KRSBS) under administration after it failed to collect Ksh1 billion retirement benefits dues from Postal Corporation of Kenya (PCK).

The move by the pensions regulator effectively disbands the scheme's board pending appointment of an administrator within a month. In a letter dated July 29, 2020 and signed by RBA chief executive Nzomo Mutuku, the pension scheme had not received Ksh203 million from PCK by May 2016, with the debt now standing at Ksh1 billion inclusive of interest.

"The rate of increase of the deficit in the scheme is unmanageable and is unlikely to be cleared within a reasonable time period," said Mr Mutuku in the letter addressed to PCK chief executive Dan Kagwe.

"The authority shall initiate the process of appointment of an interim administrator. The role of the administrator is well stipulated in section 45 (5) of the Retirement Benefits Act."

The directive also stopped further collection of any deductions from employees' emoluments and ordered that all members of the scheme be notified of the cessation.

RBA said it had negotiated for an amicable solution to the deductions' impasse between PCK and the pensions scheme, but the remedial plan was not honoured which would have seen PCK allocate one of its properties to the scheme as payment for the dues.

The administrator is also expected to recover all debts owed as well as evaluate the financial soundness of the scheme and advise RBA accordingly.

RBA is putting the scheme under administration a few months after it said that cash-strapped firms can apply for suspension or discontinuation of employer-retirement contributions to pension schemes until the coronavirus pandemic eases. RBA, however, said companies that have filed winding up notice will bear full costs of employee and employer pension obligations.

This article was first published in Business Daily on 10th August 2020.

RBA ALLOWS COMPANIES TO SUSPEND RETIREMENT BENEFITS CONTRIBUTION

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 Ksh1.3 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.

This article was first published in the Business Daily on April 27 2020.

RBA FEARS MASSIVE BENEFITS EROSION

By James Kariuki

Kenya could witness massive cash withdrawal from pension schemes holding Ksh1.3 trillion as savers face lay-offs owing to coronavirus-related hardships.

Retirement Benefit Authority (RBA) chief executive Nzomo Mutuku expressed fear that gains made growing savings from less than Ksh100bn two decades ago risked being reversed as retrenched workers seek savings to fund day-to-day expenses.

“The unprecedented human, economic and social costs are now being felt in various segments of the Kenyan economy. More severe effects are expected in coming days where the Kenya’s economic growth figure for 2020 was revised from a baseline estimate of 6.2 percent to possibly 3.4 percent as reported by the Central Bank of Kenya on March 23, 2020,” he said.

In a communique to 1,287 pension schemes, the RBA chief said it had reviewed reporting regulations to ease the schemes’ pain by deferring submission of audited financial results by sixty days—after listed firms were given similar extension.

“The authority has requested Treasury Cabinet Secretary Ukur Yatani to consider gazetting a waiver of penalties accruing from late submission of audited financial statement that are due on March 31, 2020 for a period of sixty (60) days,” he said.

RBA said all annual delegates and trustees’ meetings had been deferred with face-to-face meetings outlawed in favour of e-meetings.

Mr Mutuku said with financial markets expected to experience unprecedented turbulence, most schemes will experience loss of significant value of investments made at the bourse.

This will impact investors in the financial markets including pension schemes. In addition, a number of employers have closed operations or laid off staff, which will also impact on pension contributions and withdrawals.

For schemes whose financial year ended on December 31, 2019 and had have not finalised audited financial statements, retirement benefit levy due on April 30, 2020 will be paid based on the last audited accounts as at December 31, 2018 with any resultant underpayments being settled without attracting penalties while overpayments will be refunded or credited against future levy.

This article was first published in Business Daily on 26th March 2020.

ARBS REGISTERS SOLID PROGRESS IN THE RETIREMENT BENEFITS INDUSTRY

By James Kariuki

Association of Retirement Benefits Schemes, ARBS, was formed to bring together the various stakeholders in the retirement benefits industry in Kenya with the aim of providing a forum where critical industry issues could be addressed. The Association's key role is to lobby the regulators on behalf of the industry.

Vision

To be the first point of reference for all retirement benefits matters and a key facilitator of rapid development of a vibrant retirement benefits industry for all Kenyans.

Mission

To be a strong, effective and recognized forum to represent and promote the interests of member schemes and other stakeholders through innovative advocacy and education.

Mandate

- Forge closer links between trustees, sponsors, service providers and advisers of the retirement benefits schemes.
- Promote knowledge of and research into the retirement benefits sector.
- Make presentations to regulators and provide support and advice to Association members.

Some of the issues that ARBS is currently pursuing include the following:

Review of Trustee Development Programme - Kenya Curriculum: ARBS, RBA, and College of Insurance (CoI) initiated a process of revising the original Trustee Development Programme Kenya, TDPK, curriculum and materials to bring it up-to-date with the retirement benefits sector changes. A team of industry practitioners was set up to come up with detailed materials for consideration, develop a manual and eventually delivery slides.

Once the review was complete and materials validated, a date was set by the Authority for sensitization on the new curriculum to the industry. The new curriculum was launched on Tuesday 22nd October 2019 and ever since, a good number of trustees has already attended the first classes based on the new curriculum. From the pilot classes that have been conducted, ARBS has received positive feedback on the new material.

Past trustees who initially attended TDPK are also showing interest in the new TDPK manual terming it more comprehensive. ARBS is now working with CoI and RBA to develop online trustees training for TDPK going forward.

Taxation of Monthly Pension for Persons Aged 65 Years: The Finance Bill 2020 proposed to delete the paragraph exempting from tax pensions paid to persons who are sixty-five years of age and above.

The Finance Act 2007 had introduced a provision that monthly and lumpsum retirement benefits granted to a person who is sixty-five years of age or more be exempted from tax.

The removal of this exemption had been proposed in the Tax Laws (Amendment) Bill, 2020 but was rejected by the National Assembly on the basis that taxing these amounts would reduce the pension amounts payable to retirees.

ARBS through its Council lobbied to have the exemption from taxation for persons aged 65 years or more maintained. When the position was restored by Parliament, ARBS noted an error in the tax position which required correction. Given the complexity of correction, ARBS procured the services of a consultant who would trace the origin of the error. ARBS then wrote to RBA notifying the regulator on the error and asking for a quick resolution by the National Treasury, Centre for Law Reporting, Attorney General and Solicitor General.

ARBS is awaiting the final report from the consultant that will give a clear direction for the next action.

National Retirement Benefits Policy: The process of drafting the National Retirement Benefits Policy seemed to have stalled at some point until recently when a new task force was appointed. ARBS is represented in the new task force set up by the National Treasury and the Association's members have already given their views. More are encouraged to do so, so that their views are included in preparing this very important national document.

Budget Submission for 2022: ARBS continues to receive views from members on budget submission for the 2022/2023 financial year. The deadline for receiving these views is November 30.

Conclusion

ARBS is the sole professional association of the retirement benefits industry in Kenya. Eligible members who haven't joined are encouraged to do so. The wider the membership, the more effective ARBS will be in representing the needs of the retirement benefits industry and lobbying for changes that will improve the members' quality of lives.

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