



KENYA POWER  
PENSION FUND

# KPFF e-News

>> Issue 5, January 2017



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## INVESTMENT PERFORMANCE

### Economic Growth

The Kenyan economy is estimated to have expanded by 5.7% in the third quarter of 2016 compared to a growth of 6.0% in the same quarter of 2015. The key macroeconomic indicators remained largely stable during the third quarter of 2016 according to the Kenya National Bureau of Statistics (KNBS).

### Inflation

Inflation was contained within the Central Bank's target to average at 6.3% compared to an average of 6.1% during the same quarter in 2015. The slight increase in inflation was primarily due to increases in prices of food and beverages during the period under review. This rise was however countered by significant decreases in prices of utilities and transport.

### Interest Rates

There was a decline in interest rates in 2016 as compared to 2015. The 91 day rate averaged 8.6% compared to 11.0% for 2015. The 182 day and the 364 Treasury Bills averaged 10.9% and 11.7% compared to 12.2% and 12.9% respectively in 2015.

### Foreign Exchange

The local currency stability persisted in 2016 supported by monetary policy measures taken by CBK, resilient diaspora remittances and healthy forex reserves. The Shilling weakened by 0.2% and 12.8% against the US Dollar and the South African Rand while gaining by 3.0% and significantly by 16.1% against the Euro and Sterling Pound respectively. It however gained by 6.9%, 0.8% and 9.3% against Uganda shilling, the Tanzanian shilling and Rwandan franc respectively.

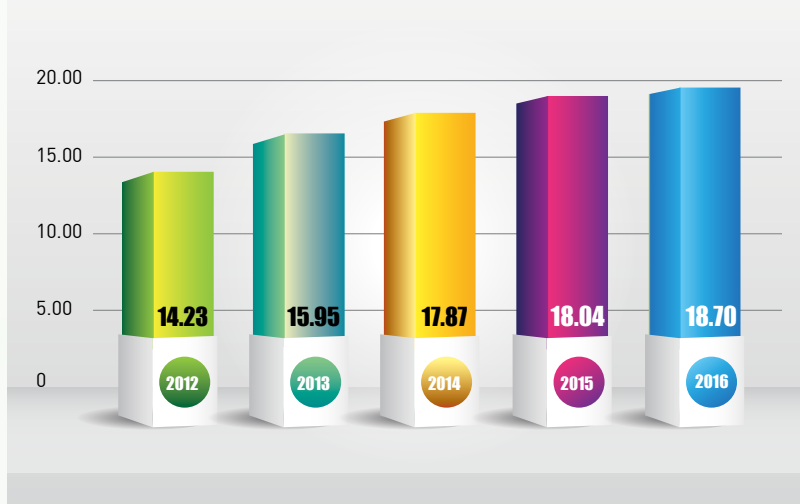
**Capital Markets**

The NSE 20 index and the NASI declined by 21.1% and 8.5% respectively in 2016. This downturn was precipitated by a host of global, local factors and the recent amendment of the Banking Act.

**DB Performance**

In the fourth quarter of 2016 the DB Fund registered a return on investment of 5.5% against a benchmark of 2.5%. The unaudited annualized performance of the Fund for the period ending 31st December 2016 was 9.4% against a benchmark of 10.2%. The non-attainment of target was attributed to poor performance in the equities asset class due to the declining share prices. The unaudited Fund value closed at Kshs 18.7 billion as compared to Kshs 18.04 billion at the beginning of the year.

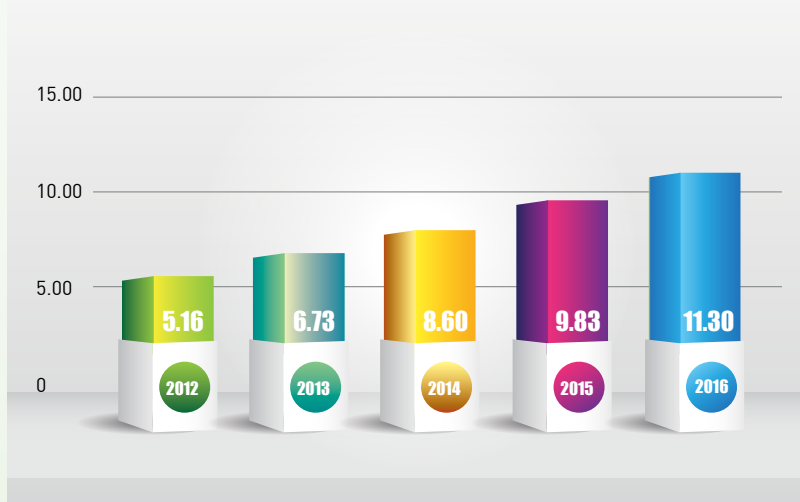
**DB Fund Growth ( Kshs. billion)**



**DC Performance**

In the fourth quarter of 2016 the Fund registered an impressive return on investment of 4.5% against a benchmark of 3.4%. The unaudited annualized performance of the Fund for the period ending 31st December 2016 was 7.4% against a benchmark of 7.36%. The unaudited Fund value closed at Kshs 11.3 billion as compared to Kshs 9.83 billion at the beginning of the year.

**DC Fund Growth ( Kshs. billion)**



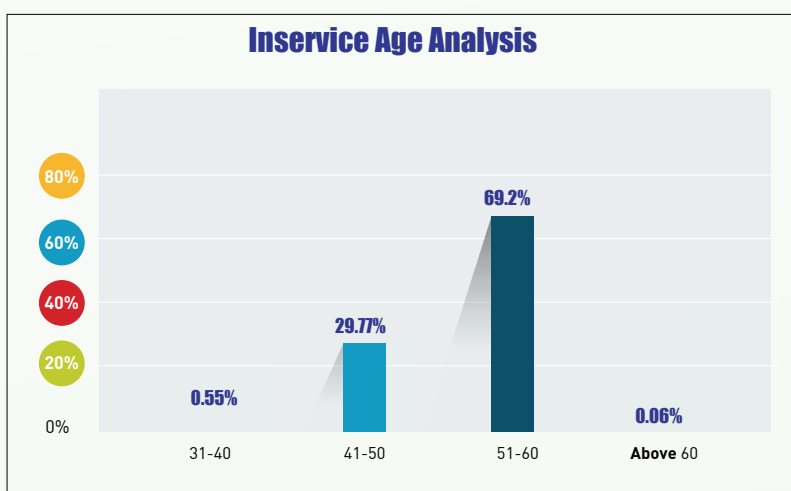
## MEMBERSHIP STATISTICS AS AT 31ST DECEMBER 2016

### Defined Benefits (DB) Fund

Active Members - 3,634  
Deferred Members - 222

#### Age Analysis for Inservice Members

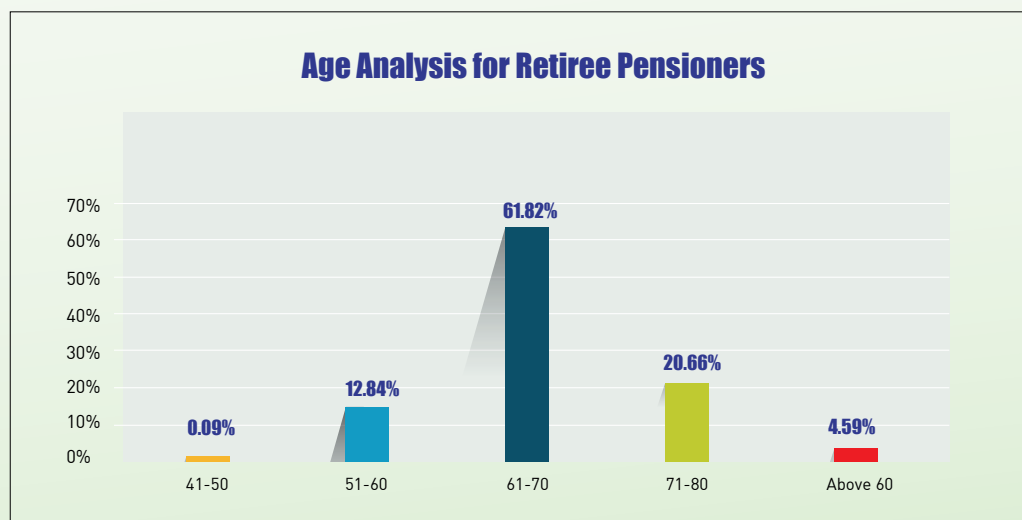
Age Bracket	No. of Members	Percentage
31-40	20	0.55%
41-50	1,082	29.77%
51-60	2,530	69.62%
Above 60	2	0.06%
<b>Total</b>	<b>3,634</b>	<b>100.00%</b>



“ Majority of the in service members are in the 51 - 60 years age bracket. ”

#### Age Analysis for Retiree Pensioners

Age Bracket	No. of Pensioners	Percentage
41-50	1	0.09%
51-60	151	12.84%
61-70	727	61.82%
71-80	243	20.66%
Above 80	54	4.59%
<b>Total</b>	<b>1,176</b>	<b>100.00%</b>



“ Majority of the retirees are in the 61 - 70 years age bracket. ”

### Payroll Breakdown for the Quarter by Pensioner Category

Payroll Distribution		
Category	Amount(Kshs.)	Percentage
Retirees	96,327,510.80	63.95%
Widow(er)s	38,968,293.60	25.87%
Orphans	15,335,051.55	10.18%
<b>Total</b>	<b>150,630,855.95</b>	<b>100.00%</b>

### DC FUND

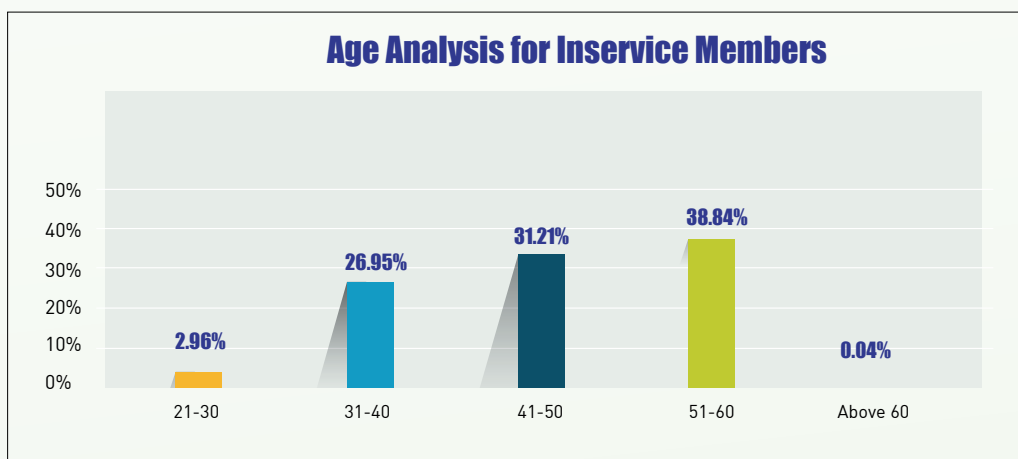
Active members - 6,835  
Deferred members – 346

### Age Analysis for Inservice Members

Age Bracket	No. of Members	Percentage
21-30	202	2.96%
31-40	1,842	26.95%
41-50	2,133	31.21%
51-60	2,655	38.84%
Above 60	3	0.04%
<b>Total</b>	<b>6,835</b>	<b>100.00%</b>



### Age Analysis for Inservice Members



“ Majority of the inservice members are in the 51 - 60 years age bracket.”

### Contributions during the Quarter

Month	Employee (KShs)	Employer (KShs)	Total (KShs)
October 2016	35,846,910.13	70,207,064.32	106,053,974.45
November 2016	36,037,165.33	69,554,268.30	105,591,433.63
December 2016	36,235,398.57	69,941,552.56	106,176,951.13
<b>Total</b>	<b>108,119,474.03</b>	<b>209,702,885.18</b>	<b>317,822,359.21</b>

## UPDATES IN BRIEF

In a bid to continuously improve, the Fund participated in various Awards as a way of benchmarking against other industry players. Overall, the Fund did well as demonstrated by the recognitions below;

### FiRe Award 2016

During the Award Presentation Ceremony held on Friday 28th October 2016 at the Windsor Golf & Country Club, the DC Fund bagged 2 Trophies (1st runners up in the Not for Profit category and 2nd runners up in the IFRS category) while the DB Fund bagged 1 trophy (2nd runners up in the Not for Profit category).

The award seeks to promote integrated reporting through enhancing accountability, transparency and integrity in compliance with appropriate financial reporting framework and other disclosures on governance, social and environmental reporting by private and public sectors domiciles in East Africa. The annual Award is organized by the Public Sector Accounting Standards Board (PSASB), Capital Markets Authority (CMA), Nairobi Securities Exchange (NSE), and the Institute of Certified Public Accountants of Kenya (ICPAK).

### Champion of Governance (COG) Awards 2016

The Fund participated for the fifth time in the Champion of Governance (COG) Awards 2016 held on 4th November 2016 at the Intercontinental Hotel and was recognised in the following categories;

- i. Winner in the Retirement Benefits Schemes Sector
- ii. CEO of the Year Award was awarded to the Fund's CEO and Trust Secretary Mr. Henry Kyanda
- iii. 1st runners up in the Overall Champions of Governance category
- iv. Most Improved Organisation Award

The COG Awards organised by Institute of Certified Public Secretaries of Kenya (ICPSK) aims at promoting good governance practices by organizations through recognizing the practice of good governance in private and public sector entities, innovations in organizations that support good governance practices and encouraging private and public sector entities to focus on enhancement of good governance.

### Investment Awards 2016

The Fund participated for the third time in the Investment Awards 2016 organized by Think Business Ltd. During the award ceremony held on 11th November 2016 at the Raddisson Blu Hotel, the Fund emerged the Winner in the Public Entity Scheme of the year category. The Fund was also nominated for the overall occupational scheme of the year emerging 2nd Runners up.

The objective of the Investment Awards is to encourage innovation and excellence in the Capital Markets by recognizing, awarding and celebrating exemplary performers in the securities exchanges and investment sectors in Kenya.

The achievement of the above four awards demonstrates the quality of policies, procedures and practices that the Fund has put in place in pursuance of its vision to be the best-in-class occupational pension scheme in the whole of Africa.



## OUTLOOK

### Provident Fund (PFA)

The Board of Trustees appointed KPMG Advisory Services Limited to handle the winding up of the now closed Provident Fund. On conclusion of the process, the balance of contributions for the in-service members will be transferred to the DC Fund as a one off lump sum contribution. In-service employees who were members of the Provident Fund and whose names are missing in the PFA list sent out late last year should contact the Secretariat.

## QUARTERLY TOPICAL ISSUE

### Additional Voluntary Contributions (AVC)

The Fund provides members with an opportunity to save for the day they will no longer be able to work to support themselves and their dependants. The ultimate goal is to save enough during the working career to replace a member's salary with a monthly pension of about seventy percent (70%) of final salary.

In the defined contributions scheme a member's benefits at retirement will depend on four basic factors;

1. The level of contributions the member has made to the Scheme
2. The contributions that the Employer has made on behalf of the member
3. The investment returns credited to the Member's Account.
4. The prevailing annuity rates at retirement.

To grow their accounts for a better retirement package, members are allowed to make voluntary contributions in addition to the five (5%) per cent mandatory contribution. The benefits of making additional voluntary contributions include the following;

- To take advantage of the tax incentives
- To increase a member's retirement pension and lump sum
- To increase dependants' benefits in case of death in service.
- Members intending to retire early can increase their contributions to cater for their early exit
- Voluntary contribution gives the member the ability to have control over benefit levels, by choosing the pace and amount of additional saving for retirement.
- At retirement the member can choose whether to convert the additional voluntary contributions to lump sum or to monthly pension.
- The additional voluntary contributions earn interest in tandem with the returns declared by the Fund

Members are encouraged to increase their contributions to the Fund. The necessary forms can be obtained from the Secretariat office or downloaded from the website.





## PHOTOS



**Champions of Governance Awards Trophies**



**FiRe Awards Trophies**



The Fund's CEO and Trust Secretary receiving the CEO of the Year Award.



Think Business Awards Trophies





**The Secretariat Staff receiving the Think Business Award.**



**The Secretariat Staff receiving the FiRe Awards.**



**The Secretariat Staff proudly display the FiRe Awards Trophies.**