

A QUARTERLY ISSUE



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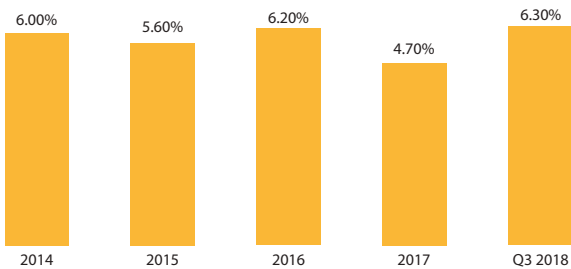
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FINANCIAL UPDATE

AS AT 30TH SEPTEMBER 2018

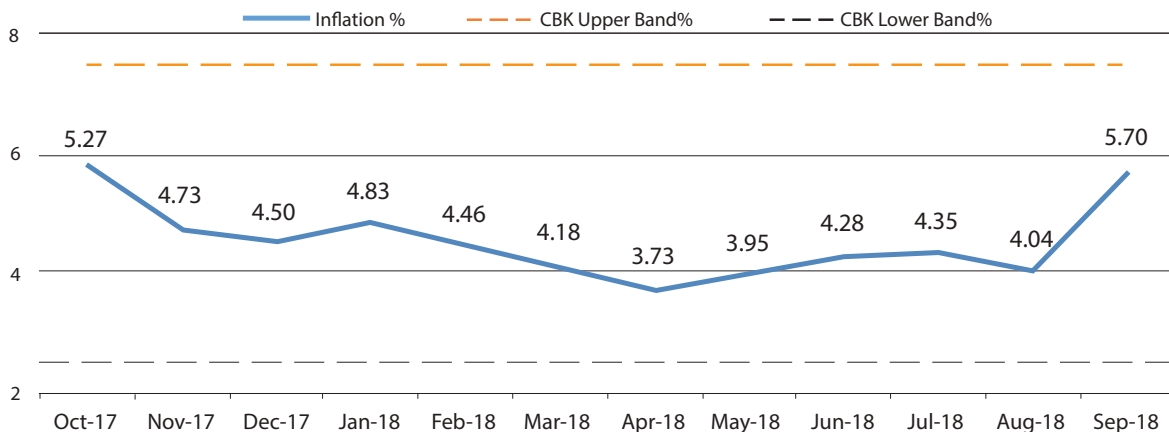
Economic Review

According to data from the Kenya National Bureau of Statistics (KNBS), the Kenyan economy is approximated to have expanded by 6.3% in quarter 2 compared to 4.7% during a similar period in 2017. The growth was mainly attributed to the fairly stable macroeconomic environment and favourable weather conditions. Improved performance was recorded in the agriculture, electricity, hospitality and information sectors.



Inflation

Inflation continued on an upward trend during the quarter to close at 5.7% in September from 4.28% in June 2018. The average inflation increased from 3.9% in Q2 2018 to 4.7% in Q3 2018 which was well within the CBK target range of 2.5% - 7.5%.



Foreign Exchange

The Kenyan Shilling marginally appreciated by 0.1% against the US dollar to close at 100.96 in Q3 2018 from 101.05 in Q2 2018. The shilling however depreciated against the sterling pound and Euro by 0.3% and 0.9% to close at 132.49 and 117.88 in Q3 2018 from 132.10 and 116.86 in Q1 2018 respectively.

Equity Markets

During the quarter, the Kenyan equity market continued the bear run on account of exodus by the foreign investors which lead to NASI, NSE 20, NSE 25 indices dropping by 14.2%, 12.5% and 14.3% respectively.

Fixed Income Market

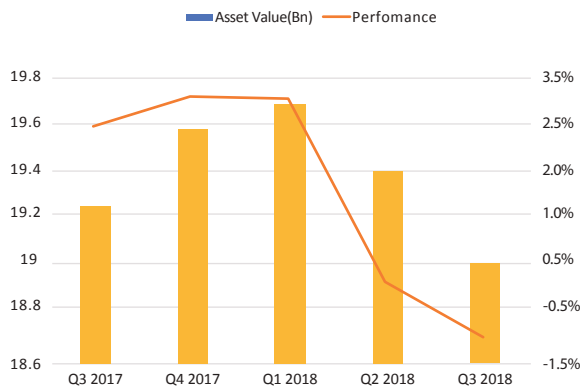
The Interest rates for the various short-term government securities maintained a downward trajectory during the quarter. The rates for the 91-day, 182-day and 364-day decreased to 7.66%, 9.08% and 10.08% in Q3 2018 from 87.9%, 10.17% and 11.04% in Q2 2018 respectively.

“The Kenyan economy is expected to sustain the momentum seen in second quarter of 2018

DEFINED BENEFITS (DB) FUND

The Fund recorded a performance of -0.77% down from 0.05% in Q2 2018. The decline was primarily as a result of poor performance in the equity market which represent 13.0% of the total Fund assets. In the same period the Fund recorded a 1.9% decrease in total asset under management in the Q3 to close at Kshs. 19.04 billion from Kshs. 19.40 billion in Q2 2018.

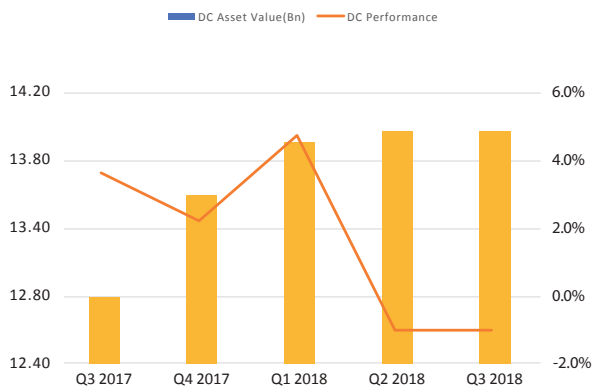
A summary of the asset growth and portfolio movement is shown below.



DEFINED CONTRIBUTIONS (DC) FUND

The Fund recorded 0.2% decrease in asset under management in Q3 2018 to close at Kshs.13.94 billion from Kshs. 13.98 billion in Q2 2018. The decline was mainly attributed to continuing poor performance in the equity market which represent 21.0% of the total Fund assets. The performance for the same period stood at -1.04% compared to -1.05% in Q2 2018.

A summary of the asset growth and portfolio movement is shown below.



Outlook

Kenya’s economic growth is expected to maintain the same momentum seen in the first half of 2018 given the low base effect of 2017. Agriculture, tourism and manufacturing sectors are likely to be the mainstay for the economy. The cost of food is likely to remain contained following the relatively sufficient long rains experienced in the March-May 2018 season.

UPDATE ON MEMBERSHIP AS AT SEPTEMBER 2018

DEFINED BENEFITS (DB) FUND

In-service members.....3,275
 Deferred members203

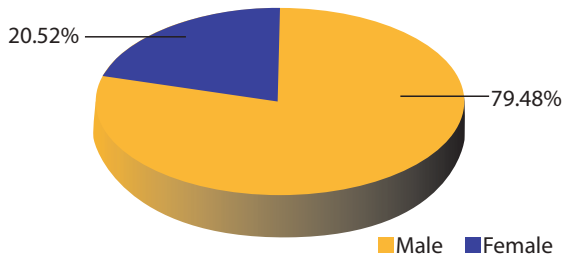
Age Analysis for in-service Members

| Age Bracket | No. of Members | Percentage% |
|--------------|----------------|----------------|
| 31-40 | 5 | 0.15% |
| 41-50 | 733 | 23.38% |
| 51-60 | 2,531 | 77.28% |
| Above 60 | 6 | 0.18% |
| Total | 3,275 | 100.00% |

Oldest Member.....63.75 years
 Youngest member.....38.78 years
 Average Age.....53.27 years

Six (6) members have attained the normal retirement age 60 years but due to their disability status and in accordance with the law, their retirement has been revised to 65 years.

In Service Members Gender Analysis

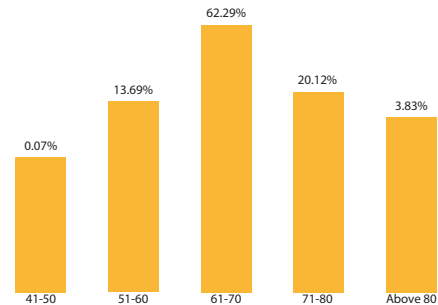


Pensioners

There were a total of 4,157 pensioners comprising of retirees and beneficiaries as shown in the table below.

| Pensioner Category | Number | % |
|--|--------------|----------------|
| Retirees | 1,461 | 35.15% |
| Widow(er) Spouses to employees who passed on while in service or retirement | 1,360 | 32.72% |
| Orphans (Children to employees who passed on while in service or retirement) | 1,336 | 32.14% |
| Total | 4,157 | 100.00% |

Retiree Pensioners Age Analysis



Majority of the retirees are aged between 61-70 years There were 56 retirees aged 80 years and above.

Pensioners Payroll

Pensioner's payroll (net) for Quarter 3 2018.

| Category | No. of Members | Amount(Kshs.) | % |
|--------------|----------------|-----------------------|----------------|
| Retirees | 1,461 | 132,543,002.80 | 69.27% |
| Widow(ers) | 1,360 | 45,345,288.80 | 23.70% |
| Orphans | 1,336 | 13,462,392.80 | 7.04% |
| Total | 4,157 | 191,350,684.40 | 100.00% |

The number of retiree pensioners has been increasing at an annual rate of approximately ten percent (10%). Of the total payroll, 69.27% is paid to the retirees.



DEFINED CONTRIBUTIONS (DC) FUND

In-service members7,755
 Deferred members..... 414

During the quarter there were 528 new entrants. The number of in-service members overall increased from 7,272 in Q2 to 7,755 in Q3. There were 14 withdraws through resignations and terminations/dismissals and 21 retirements during the quarter.

Age Analysis for In-service Members

| Age Analysis | No. of Members | Percentage % |
|--------------|----------------|---------------|
| 21-30 | 220 | 2.84% |
| 31-40 | 2,449 | 31.58% |
| 41-50 | 2,334 | 30.10% |
| 51-60 | 2,743 | 35.37% |
| Above 60 | 9 | 0.12% |
| Total | 7,755 | 100.0% |

Oldest Member.....63.74 years
 Youngest member.....22.86 years
 Average age.....45.12 years

Received Contributions for Quarter 3 2018.

| Month | Employee (Kshs) | Employer (Kshs) | AVC(Kshs) | Total KShs. |
|----------------|-----------------------|-----------------------|---------------------|-----------------------|
| July 2018 | 39,116,425.02 | 79,124,429.09 | 2,218,124.28 | 120,458,978.39 |
| August 2018 | 41,052,546.72 | 81,987,675.49 | 2,558,074.78 | 125,598,296.99 |
| September 2018 | 39,555,734.47 | 78,994,051.05 | 2,730,817.41 | 121,280,602.93 |
| Total | 119,724,706.21 | 240,106,155.63 | 7,507,016.47 | 367,337,878.31 |

UPDATES IN BRIEF

Changes in Board of Trustees

Following changes at Kenya Power (Sponsor) that affected the company's senior management, the DB and DC Fund's Board of Trustees were reconstituted as below.

Defined Benefits (DB) Fund Trustees

- | | | | |
|----|---------------------|---|--|
| 1. | Sammy Achuchi Oduor | - | Retirees Representative (Chairman) |
| 2. | Kairo Thuo | - | Director, Kenya Power |
| 3. | Jared Othieno | - | Ag. MD & CEO, Kenya Power |
| 4. | David Monand | - | Ag. Gen. Manager, HR & Admin |
| 5. | Imelda Bore | - | Ag. Gen Manager, Corporate Affairs & Co. Secretary |
| 6. | Ambrose Lamaon | - | Ag. Gen. Manager, Finance |
| 7. | Ernest Nadome | - | Gen Secretary, KETAWU |
| 8. | Kosgey Kolil | - | Deputy Gen. Secretary, KETAWU |

Defined Contributions (DC) Fund Trustees

- | | | | |
|----|-----------------|---|--|
| 1. | Ernest Nadome | - | Gen Secretary, KETAWU (Chairman) |
| 2. | Kosgey Kolil | - | Deputy Gen. Secretary, KETAWU |
| 3. | Johnstone Sakwa | - | Middle Mngt Representative |
| 4. | Zilpa Ayara | - | Gender Representative |
| 5. | Vincent Ochieng | - | Chairman, KETAWU |
| 6. | Wilson Kimutai | - | Director, Kenya Power |
| 7. | Jared Othieno | - | Ag. MD & CEO, Kenya Power |
| 8. | David Monandi | - | Ag. Gen. Manager, HR & Admin |
| 9. | Imelda Bore | - | Ag. Gen Manager, Corporate Affairs & Co. Secretary |

Member Education & Awareness Program

This year's Member Education & Awareness Program commenced on 4th June 2018 and was concluded on 5th November 2018. This year's program was a blend of breakfast meetings, customer service help desks and seminars. For the one-day seminars, the focus was on those who have joined the Fund in the past three years. The reason for targeting the young and recently employed members was to sensitize them on the importance of beginning to save early for their retirement.

Besides targeting the recently employed members, the program was also keen on enhancing outreach to areas not initially covered. These areas included Loitoktok, Emali, Lodwar and Kapenguria. And for the very first time, the program included meetings with the beneficiaries (orphans, widow/ers). Overall, a total of 2,032 in-service members attended the breakfast meetings with 787 others visiting the customer service desks for various assistance. Attendance by the pensioners was equally good as we had as many 664 retirees and 548 beneficiaries.

Next year, the Fund will in liaison with Kenya Power's Learning & Development Dept, conduct pre-retirement planning seminars targeting those with 1- 3 years to retirement. This shift in focus is aimed at ensuring that members are well informed and prepared for their retirement.

Member Self-Service Portal

The Fund has launched a Member Self Service Portal to enable member's access their personal information. The portal can be accessed through our website www.kplcpensionfund.co.ke on the '**Member Login**' tab. From the portal, members can view and request for an update of their individual and beneficiary's bio data. Members can also prepare their benefits projections as well as view and download contributions history and provisional statements.

In case of any queries regarding the member self-service portal, members should not hesitate to contact the Secretariat.

Customer Service Week 2018

Customer Service Week is celebrated annually during the first full week of October when customer-oriented organizations around the world recognize the importance of customer service excellence to their businesses. The theme for this year's Customer Service Week was '**sustaining customer experience excellence**'.

The Fund marked this year's celebrations by carrying out a variety of activities aimed at demonstrating the Fund's commitment to delivering quality service to the members. The well-publicised initiative saw a record number of members visit the Secretariat office for the very first time. Besides being served refreshments by the secretariat staff, some lucky members got branded give-away

merchandise that included t-shirts and tea mugs. The fund will next year celebrate the week in at least one other region.

Karen Property

The DB Fund's Karen property measures approximately 58 acres and is currently undeveloped.

Owing to its expansiveness and location at the Karen shopping centre, there have been reports incidents of trespassing and encroachment by the public, matatu operators and hawkers. In effort to address the reported concerns and protect the property, the Trustees approved construction of a masonry wall at a cost of KShs.

Construction of the perimeter wall is progressing well and is expected to be completed by January 2019.



Ongoing construction works of a masonry perimeter wall. The land is at the junction of Langata Road and Ngong Road.



AWARDS AND RECOGNITIONS

African Investor Awards 2018

The fund is proud to have won the African Pension Fund Initiative Award (Ai) of the Year edging out a quality field of Funds that included the previous year's winner Natal Joint Municipal Pension Fund (South Africa), Government Employees Pension Fund (South Africa) which is Africa's largest pension fund, Social Security and National Insurance Trust (Ghana), National Social Security Fund (Uganda) among many others.

The Africa Investor (Ai) awards are about recognizing Africa's best performing stock exchanges, listed companies, investment banks, regulators, investment managers and institutional investors. The awards are organized by Africa Investor (Ai), a leading international investment and communications group based in both Johannesburg, SA and New York, USA. This year's awards ceremony was held on 25th September 2018 and hosted with the support of NASDAQ and CFA Society of New York.

The win is a major milestone for the Fund as it comes with it an international recognition of its processes, initiatives and general business practice. The win will surely accord the Fund an enhanced confidence and drive as it

endeavors to achieve its objective of providing decent benefits to the fund members for a dignified life in their retirement.

FiRe Awards

The Defined Contribution (DC) Fund recently participated and came out tops during this year's excellence in financial reporting awards, commonly referred to as FiRe Awards, in the Not-For-Profit category. The Defined Benefits (DB) Fund did perform equally well as it was declared the first Runners Up in the same category. The well attended awards ceremony was held on Friday 16th November 2018 at the Carnivore Restaurant, Nairobi.

The annual FiRe Award are 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). The awards 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.

PICTURE SPEAK



< The DC Fund Chairman, Ernest Nadome and the Fund's CEO & Trust Secretary, Henry Kyanda receiving the Africa Pension Fund Initiative of Year 2018 award at the Africa Investor (Ai) Capital Market & Index Series Awards in New York, USA.



< Some of the Secretariat staff getting ready to serve during the Customer Service Week (1st - 5th October 2018).



< Delighted customers display their gift packs during the Customer Service Week.



KENYA POWER
PENSION FUND

KPPF e-News

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