

A QUARTERLY ISSUE



KPPF e-News

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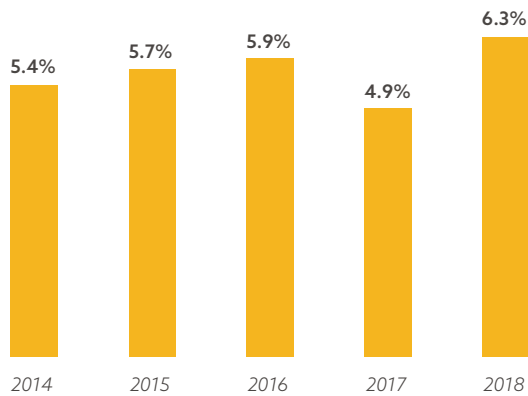
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FINANCIAL UPDATE AS AT 31ST MARCH 2019

Economic Review.

Kenya's economy grew by 6.3% in the year 2018 compared to 4.9% in 2017 according to the Kenya National Bureau of Statistics (KNBS). The growth was mainly attributed to good performance in key sectors of the economy that included agriculture, manufacturing and service oriented sectors. The growth was also supported by positive investor confidence as well as a stable macroeconomic environment.

The growth comparison with previous periods is as shown below:



Foreign Exchange.

The Kenya Shilling appreciated by 1.1% against the US Dollar to close at 100.75 in the first quarter of 2019. The strong Shilling was attributed to subdued import demand as well as a build-up in foreign exchange reserves during the quarter. The Shilling depreciated against the Sterling Pound by 2.2% but gained against the Euro by 2.9% during the quarter.

Equity Markets

The stock market bounced back in the first quarter of 2019 with all indices closing the quarter higher. The Nairobi All Share Index (NASI), the NSE 20 and NSE 25 gained 12.3%, 0.4% and 10.8% respectively. The rise in the stock prices was driven mainly by the return of foreign investors to the NSE market.

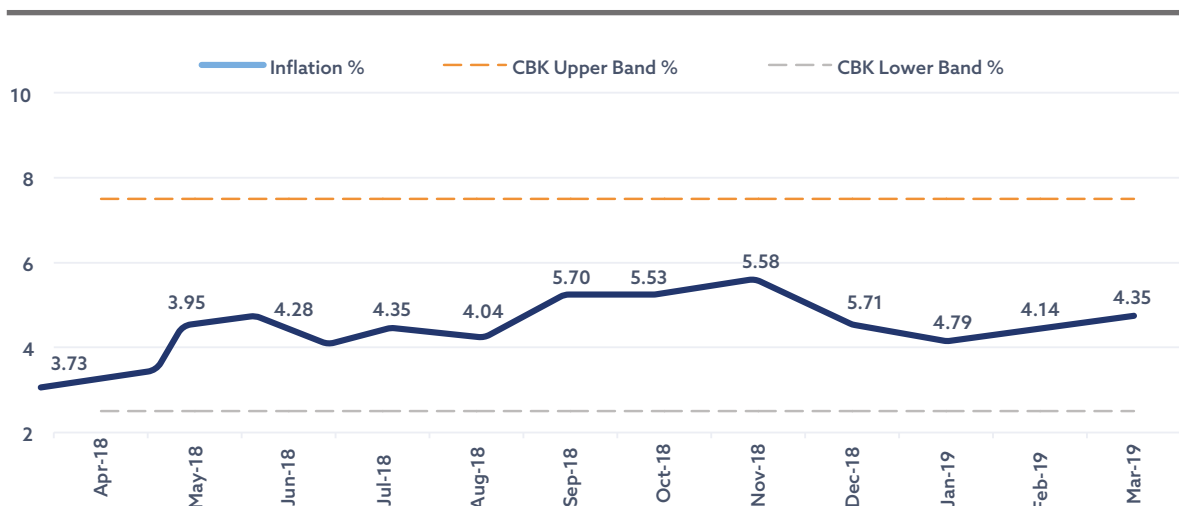
Fixed Income Market

The 91-day Treasury bill rate eased to close at 7.13% from 7.42%, while the 182-day and 364-day marginally increased respectively to close at 8.56% and 9.66% from 8.2% and 9.4% respectively registered in the last quarter. Yields on the short to mid-range of the yield curve declined due to market liquidity as credit to the private sector remained low. Yields on the long end of the curve remained relatively stable as investor appetite for long term issues was muted.

The Central Bank's Monetary Policy Committee maintained the Central Bank Rate to 9.0%, citing that the monetary policy stance was appropriate given the prevailing inflation levels.

Inflation

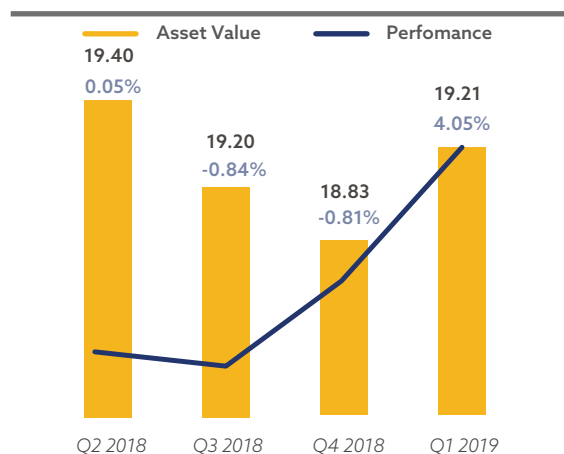
The overall average inflation for the first quarter of 2019 stood at 4.4% which was a decline from 5.6% recorded in the previous quarter. The decline in inflation was on account of stable food prices, lower electricity and fuel prices, and muted demand driven inflationary pressures. The annual monthly inflation trend is as shown below:





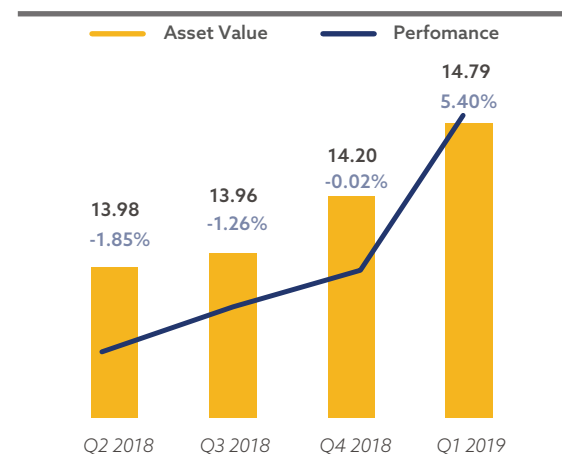
DEFINED BENEFITS (DB) FUND

During the first quarter of 2019, the DB Fund recorded a performance of 4.1% up from 0.81% reported in fourth quarter of 2018. The growth in performance was mainly attributed to the stock market bounce back in the period under review. At the end of the quarter, the assets under management were Kshs. 19.2 billion up from Kshs.18.83 billion



DEFINED CONTRIBUTIONS (DC) FUND

In the first quarter of 2019, the DC Fund recorded a performance of 5.4% up from -0.02% reported in fourth quarter of 2018. The growth in performance was also mainly attributed to the stock market bounce back in the period under review. At the end of the quarter, the asset under management were Kshs. 14.79 billion up from Kshs.14.20 billion.



Outlook

Kenya's economy is projected to grow by 6.3% in 2019, supported by the key pillars of the Big Four Agenda according to the Central Bank of Kenya. The future direction of the currency and inflation remain key risks to this outlook. Yields on Government Securities may edge up albeit slightly with most of the movement expected to happen towards the end of the fiscal year.

UPDATE ON MEMBERSHIP AS AT 31ST MARCH 2019

DEFINED BENEFITS (DB) FUND

In-service members.....3,096
 Deferred members.....193

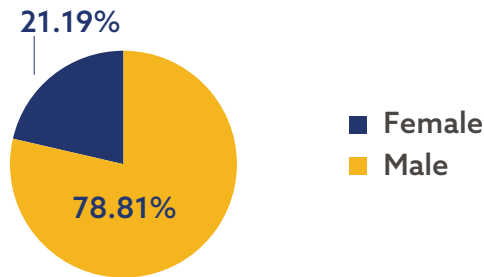
Age Analysis for in-service Members

Age Bracket	No. of Members	%
31-40	1	0.03%
41-50	594	19.19%
51-60	2,487	80.33%
Above 60	14	0.45%
Total	3,096	100.00%

Oldest Member.....64 years
 Youngest member.....39 years
 Average Age.....53 years

Fourteen (14) 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 Payroll

Category	No. of Members	Amount(Kshs.)	%
Retirees	1,615	39,220,812.60	69.62%
Widow(ers)	1,385	47,373,446.85	23.69%
Orphans	1,266	13,370,680.25	6.69%
Total	4,266	199,964,939.70	100.00%

- 69.62% of the total pension payroll was paid to the retirees.

Pensioners

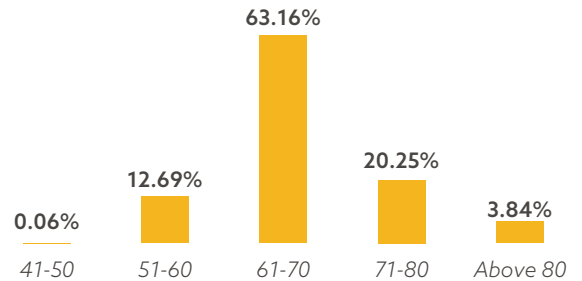
There were a total of 4,266 pensioners comprising of retirees and beneficiaries as shown in the table below:

Pensioner Category	Number	%
Retirees	1,615	37.86%
Widow(er) Spouses to employees who passed on while in service or retirement	1,385	32.47%
Orphans (Children to employees who passed on while in service or retirement)	1,266	29.68%
Total	4,266	100.00%

Retiree Pensioners Age Analysis

Majority of the retirees are aged between 61-70 years. There were 62 retirees aged 80 years and above.

Retiree Pensioners Age Analysis



Pensioners Gender Distribution

Category	Number	%
Male	1,447	89.60%
Female	168	10.40%
Total	1,615	100.00%

- The number of retiree pensioners has been increasing at an annual rate of approximately ten percent (10%).



DEFINED CONTRIBUTIONS (DC) FUND

In-service members.....7,593

Deferred members.....418

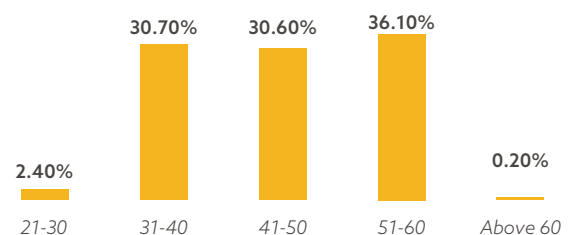
During the quarter, there were 30 new entrants. The number of in-service members overall decreased from 7,725 in Q4 2018 to 7,593 in Q1 2019. The number of withdraws through resignations and terminations/dismissals were 24 while retirements were 140 during the quarter.

Age Analysis for In-service Members.

Age Analysis	No. of Members	%
21-30	183	2.40%
31-40	2,331	30.70%
41-50	2,323	30.60%
51-60	2,741	36.10%
Above 60	15	0.20%
Total	7,593	100.0%

Oldest Member.....64 years
 Youngest member.....23 years
 Average age.....45 years

In service members Age Analysis



Received Contributions for Quarter One 2019

Month	Employee (Kshs)	Employer (Kshs)	Additional Voluntary Contribution(Kshs)	Total KShs.
January 2019	40,844,447.49	81,564,353.05	2,987,879.67	125,396,680.21
February 2019	40,861,246.90	81,597,951.34	3,027,637.01	125,486,835.25
March 2019	41,017,109.14	81,895,356.24	3,106,662.69	126,019,128.07
Total	122,722,803.53	245,057,660.63	9,122,179.37	376,902,643.53

UPDATES IN BRIEF

Member self service portal

The Scheme has a self-service portal that enables members access their personal information from anywhere they are. The portal can be accessed through our website www.kplcpensionfund.co.ke on the 'Member Login' tab. From the portal, members can access, view and update their member bio data, view and update their beneficiaries, prepare benefits projections as well as view and download contributions history, closing balance history and provisional statements.

Member Education Program 2019

This year's Member Education Program will commence in June 2019. The program will be a blend of breakfast meetings, customer service help desks and seminars. The target for this year will be those who have recently joined the Fund as we also endeavor to expand reach to regions that have hitherto not been visited.

Additionally, the Scheme will in liaison with KP's Training & Development department, organize pre-retirement education seminars for members with five or less years to retirement.

Members are encouraged to attend the Member Education & Awareness trainings wherever invited to be updated, informed and educated on matters related to Scheme and retirement in general.

Provident Fund (PFA)

The Board of Trustees appointed KPMG Advisory Services to handle the winding up process of the now closed Provident Fund. Review and reconciliation of the PFA records was concluded last year in October and a report submitted to the Board.

The Retirement Benefits Authority (RBA) early this year in February granted approval for the winding up of the Fund.

Employees who were members of PFA will by August be issued with statements showing the status of their contributions as well as payment options available to them.

Post-retirement medical scheme

The Retirement Benefits (Post-Retirement Medical Fund) guidelines 2018, were issued on 11th October 2018. Subsequently, the Board of Trustees appointed an actuarial services provider to advise on the establishment and implementation of the post-retirement medical scheme. The post-retirement medical scheme once established will enable in-service members to save for their retirement medical needs while still in employment.

Details of the scheme structure, membership, contribution options, scope of cover etc. will be communicated to the members once determined and approved by the Trustees.

TOPICAL ISSUE

Income Drawdown

In line with the Scheme's Strategic Plan, the Scheme intends to introduce income draw down as an alternative option to annuities on retirement. An income drawdown plan is an arrangement that allows a member to receive a fixed amount of money on a regular basis from his pension benefits. The payments are derived from investment returns and therefore do not reduce the principal amount of the member's pension benefits over time.

The income draw down plan can be implemented through a sub-fund within the main Fund or an external existing fund established mostly by insurance companies.

Merits of Income Draw Down

- i. Flexibility – the member makes decision on frequency of draw down either monthly, quarterly or bi-annually and amount of draw down subject to a minimum drawdown period of ten years.
- ii. Investment returns – the member enjoys the full returns made by the Fund subject to any expenses incurred by the Fund.
- iii. Protection against Inflation Risk – the retiree can be protected against inflation if the Fund returns exceed the rate of inflation in any given year.
- iv. Payment to beneficiaries – On death of the individual member, the funds can be used to provide an income to the beneficiaries (nominated spouse/children) either by purchase of an annuity or a continuation of an income drawdown plan. Alternatively, the balance can be paid to the beneficiaries as a lump sum.

Demerits of Income Draw Down

- i. Investment risk – The member bears the investment risk and the income is not guaranteed but dependent on performance of the income drawdown fund.
- ii. Longevity risk – the income drawdown option has no guarantees and the member bears the risk of outliving his funds if the draw down plan is not structured well and in case the investment environment is adverse for a long period of time.

Income Drawdown versus annuities

Factor	Income Draw down	Annuities
Flexibility	Member can choose how to receive the drawdown and the duration of draw down	Once purchase price is paid to the insurance company it cannot be withdrawn
Investment choice	Member can choose where to invest their funds	The member has no choice of investment
Investment return	Based on returns made by the drawdown fund	Annuity is not dependent on the investment returns
Protection against inflation risk	Possible to beat inflation through prudent investment	Can be done through annuity escalation.
Payment to beneficiaries	Balance of draw down	Guaranteed pension
Longevity risk	None. There is the possibility of the member outliving the accrued benefits	Pension is guaranteed for life

The Board of Trustees has appointed Minet Kenya to provide necessary consultancy services for establishment and implementation of an in-house income draw down plan. Once established, retiring members will be able to choose between an annuity from an insurance company or an income draw down from the Fund.

PICTURE SPEAK



< Stima Plaza Building with the almost complete new annex at the foreground.

The annex will house the Scheme's Secretariat. The new annex with its modern design concept has given Stima Plaza a new appealing lease of life.

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