

A QUARTERLY ISSUE



KENYA POWER
PENSION FUND

KPPF e-News

Issue 16 / August 2020

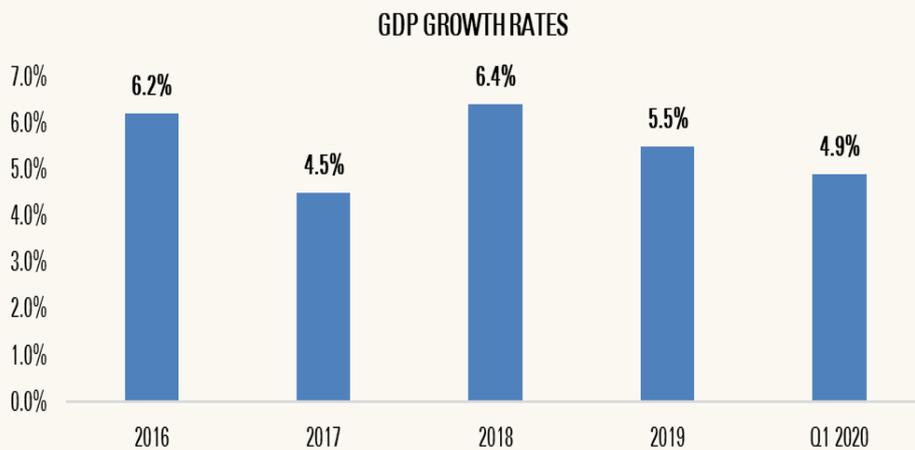


FINANCIAL UPDATE AS AT 30TH JUNE 2020

ECONOMIC REVIEW

Kenya’s economic performance slowed in Q1 2020 compared to a similar period in 2019. Real GDP grew by 4.9% in Q1 2020 compared to 5.5% in Q1 2019. The decelerated growth was sharpest in the accommodation and food services that declined by 9.3% due to the Covid-19 containment measures.

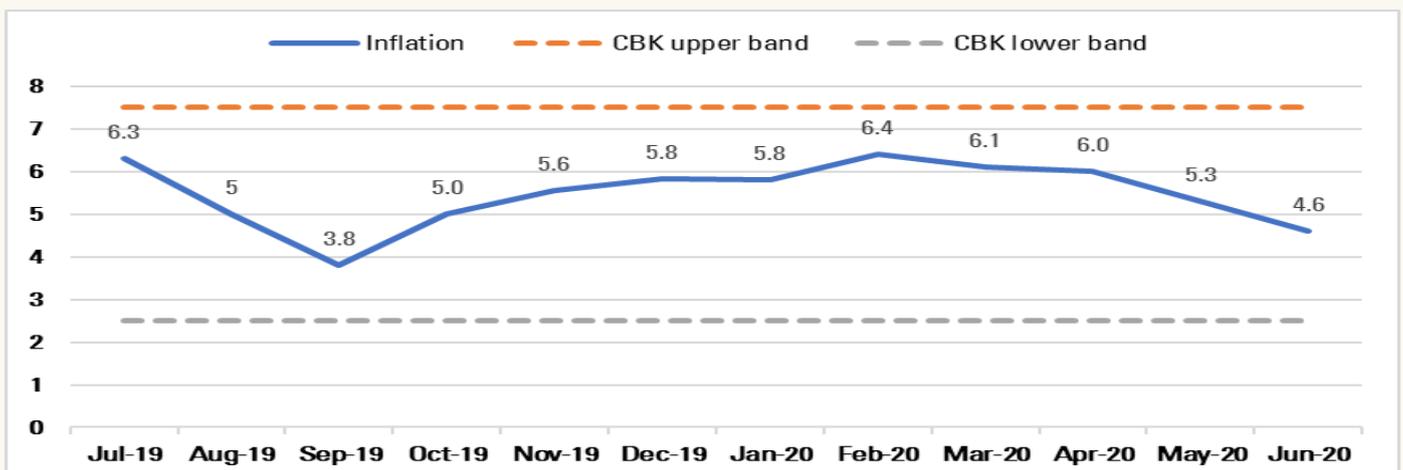
The growth comparison with previous periods is as shown below;



INFLATION

Overall inflation reduced from 6.1% in Q1 2020 to close at 4.6% in Q2 2020. This was attributed to inflation on housing, water, electricity, gas and other fuels reducing to 2.1%, compared to 3.4% in Q1 2020. However, the transport index increased to an average inflation rate of 5.9% compared to 4.9% last quarter.

The annual monthly inflation trend is as shown below;



FOREIGN EXCHANGE

The Kenyan shilling depreciated by 1.7% against the US Dollar during the quarter on account of reduced demand and inflows. The Shilling on the other hand recorded a 2.3% and 19.0% gain against the Sterling Pound and South African Rand, respectively.

EQUITY MARKETS

The Nairobi All Share Index (NASI), NSE 20 and NSE 25 gained by 4.4%, -1.2% and 3.5% respectively; a slight improvement compared to the -20.7%, -25.9% and -24.2% respectively from Q1 2020. Due to the continued surge in Covid-19 cases, the equity market is expected to remain unfavorable for the better part of FY2020 and FY2021. However, we believe our portfolio is resilient and will recover in the medium-term.

FIXED INCOME MARKET

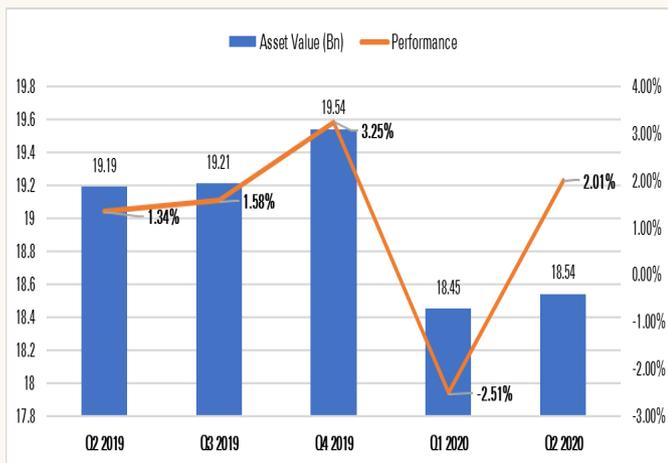
Interest rates across the yield curve declined in the second quarter of the year due to excessive market liquidity. The excessive liquidity led to an increased preference for government securities and most primary bond auctions were oversubscribed.



DEFINED BENEFITS (DB) FUND

During the second quarter of 2020, the DB Fund recorded a return of 2.01%, compared to the overall benchmark and industry weighted average performance of 2.19% and 3.6% respectively.

The increase in performance from Quarter 1 2020 to Quarter 2 2020 was attributed to the slight recovery in the equity market. At the end of the quarter, the assets under management stood at KShs. 18.54 Billion up from KShs. 18.45 Billion in March 2020.

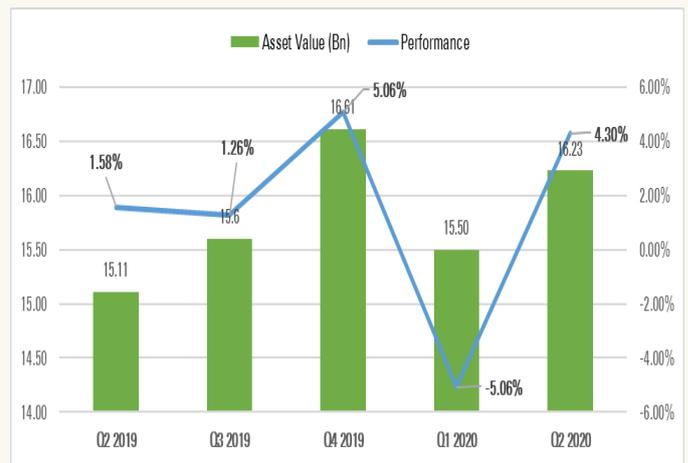


DEFINED CONTRIBUTIONS (DC) FUND

In the second quarter of 2020, the DC Fund recorded a return of 4.3%, compared to the overall benchmark and industry weighted average performance of 2.5% and 3.6% respectively.

Similar to the DB Fund, the improvement in performance was due to the recovery in the equity market. As at the end of Quarter 2 2020, the Fund value was KShs. 16.23 Billion up from KShs. 15.50 Billion in Q1 2020.

The Fund performance for the last five quarters is as below:



OUTLOOK

The Kenyan economic growth is expected to remain subdued due to the shattered investors' confidence and heightened measures taken against Covid-19. The World Bank and the International Monetary Fund have projected a growth of less than 1% owing to adverse impact on horticulture, construction, tourism and manufacturing sectors.

At the global level, the economy is expected to contract sharply by -3 percent in 2020, much worse than what was experienced in the 2008-09 financial crisis. However, should the Covid-19 pandemic fade in the second half of the financial year and imposed containment efforts gradually unwind, the global economy could expand by 5.8 percent as economic activity normalizes.

UPDATE ON MEMBERSHIP AS AT 30TH JUNE 2020

DEFINED BENEFITS (DB) FUND

In-service members.....**2,784**
 Deferred members**177**

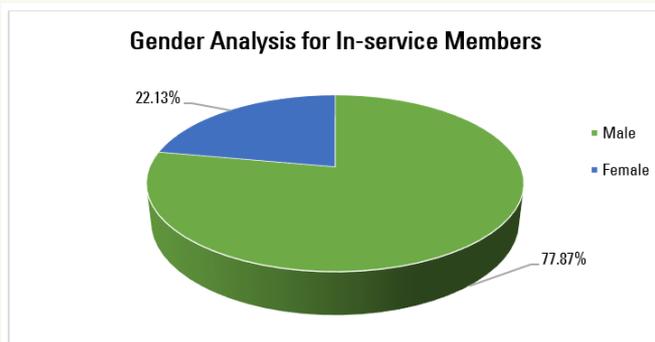
AGE ANALYSIS FOR IN-SERVICE MEMBERS

Age Analysis	No. of Members	Percentage
40-49	412	14.80%
50-59	2,350	84.41%
Above 60	22	0.79%
Total	2,784	100.00%

Oldest Member - 63.84 years
 Youngest member - 40.53 years
 Average Age - 54.22 years

- Twenty-two (22) members have attained the normal retirement age of 60 years but due to their disability status and in accordance with the law, their retirement has been revised to 65 years.

GENDER ANALYSIS FOR IN-SERVICE MEMBERS

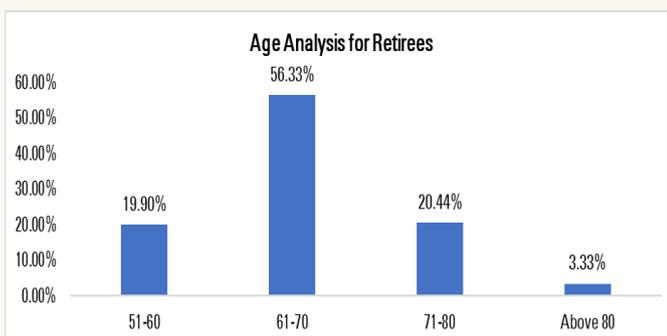


PENSIONERS

There were a total of 4,412 pensioners comprising of retirees and beneficiaries as shown in the table below.

Pensioner Category	Number	Percentage %
Retirees	1,864	42.25%
Widow(er) Spouses to members who passed on	1,440	32.64%
Orphans (Children to members passed on)	1,108	25.11%
Total	4,412	100.00%

AGE ANALYSIS FOR RETIREES



Majority of the retirees were aged between 61-70 years with 62 retirees aged above 80 years.

PENSIONERS PAYROLL FOR QUARTER 2 2020 (APR - JUN)

Category	No. of Members	Amount (KShs.)	Percentage %
Retirees	1,864	164,504,228	72.73%
Widow(er)s	1,440	50,514,875	22.33%
Orphans	1,108	11,179,451	4.94%
Total	4,412	226,198,554	100.00%

- 72.73% of the total pension payroll was paid to the retirees.
- The number of retiree pensioners has been increasing at an annual rate of approximately ten per cent (10%).
- The average monthly payroll was K Shs. 75,399,518.00.

DEFINED CONTRIBUTIONS (DC) FUND

In-service members**7,542**
 Deferred members.....**492**

During the quarter, the number of in-service members decreased from 7,598 in Q1 2020 to 7,542 in Q2 2020. This was attributed to the (59) of members who exited through retirement and withdrawals (resignations, terminations, dismissals, and deaths).

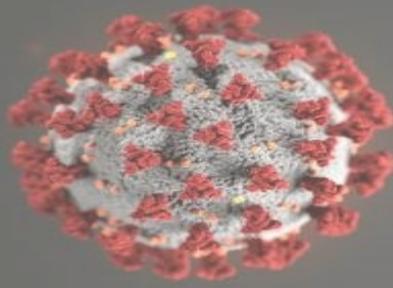
AGE ANALYSIS FOR IN-SERVICE MEMBERS

Age Analysis	No. of Members	Percentage
21-30	81	1.07%
31-40	2,119	28.10%
41-50	2,626	34.82%
51-60	2,693	35.71%
Above 60	23	0.30%
Total	7,542	100.0%

Oldest member - 64.07 years
 Youngest member - 24.61 years
 Average age - 45.74 years

RECEIVED CONTRIBUTIONS FOR 2ND QUARTER 2020

Month	Employee (KShs)	Employer (KShs)	AVC (KShs)	Total (KShs)
April 2020	41,382,702	82,632,579	3,696,973	127,712,255
May 2020	41,149,382	82,165,940	3,859,610	127,174,931
June 2020	41,101,875	82,070,924	3,727,720	126,900,520
Total	123,633,960	246,869,443	11,284,303	381,787,706



TOPICAL ISSUES

COVID 19

EFFECTS OF COVID-19 ON PENSION FUNDS IN KENYA

Covid-19 is a disease caused by a novel strain of coronavirus and identified as an infectious respiratory illness that was first detected in Wuhan, China in November 2019. The pandemic has posed unforeseen challenges to health care systems, world economies and people livelihoods.

Kenya reported its first case of Covid-19 on 16th March 2020 after which the Government instituted various measures to curb the spread of the virus. These measures included requirement for social distancing, restriction on movement in and out of the country, cessation of movement in and out of some counties, closure of schools, night curfew among others.

Due to the restrictions and continued spread of Covid-19, the country has had its the key drivers of economic growth such as agriculture, tourism, manufacturing, energy and financial services, grossly affected. Peoples livelihood/job losses, trade among others.

Pension schemes too have not been spared of the adverse effects of Covid -19.

1.0 Fund Investments

Schemes have invested in various sectors of the economy mostly through the equity market. The equity market has unfortunately been hard hit by the uncertainty, restrictions and disruptions brought about by the pandemic. The Nairobi All Share Index recorded a decline as investors exited the market.

With most investment options underperforming, many schemes are likely to find themselves staring at lowered funding levels if not straight into an actuarial deficit.

2.0 Early Withdrawal of Benefits

Due to the pandemic, some businesses closed while others scaled down their operations thereby reducing their workforce. This has seen members lose their jobs and withdraw their retirement benefits to take care of their basic needs such as food and shelter/rent. A significant number of deferred members have also opted to access their benefits. The net effect of this early withdrawals has been a reduction in fund value for most schemes.

3.0 Delay or Non-Remittance of Contributions

As the effects of the pandemic continue to bite, some hard-hit employers have been forced to either delay or stop remitting contributions for their employees. Members in affected schemes will have their benefits stagnate and inevitably retire with a low net replacement ratio.

4.0 Disruption of Business of Operations

As with many other businesses, pension schemes have had their operations disrupted as employees sought to adhere to the guidelines issued by the Ministry of Health for control of the pandemic. Schemes have had to become innovative in order to ensure continuity of business activities and delivery of services to their members.

5.0 Data Access & Security

As remote working becomes the new norm, extra care is required especially with regard to data access and data security profiles. With employees working from home and probably with less secure environments, data security has become more critical.

6.0 Legislative Requirements

Due to the pandemic some schemes have found it difficult complying with various legal, statutory and regulatory requirements. Filing of returns, submission of annual financial statements, conducting annual general meetings, holding elections for trustee positions that have fallen vacant are some of the challenges that schemes have experienced.

In cognizant of the challenges faced by the schemes, the RBA have provided guidelines allowing for flexibility and where necessary extension of timelines for fulfilment of the regulatory requirements. Among the guidelines provided are holding of annual general meetings, conducting of elections for trustees, submission of annual financial statements. The authority has further urged schemes to explore on the possibility of using technology to undertake some of the obligations.

Luckily for KPPF, the scheme has not suffered any major disruption of its operations thanks to having long incorporated technology in its operations. The scheme has been able to offer uninterrupted services to its members through utilization of the following systems and facilities.

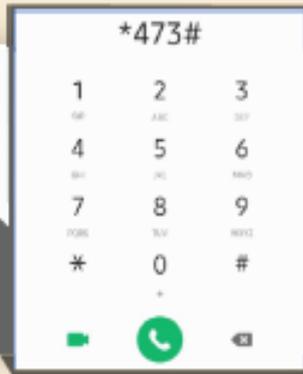
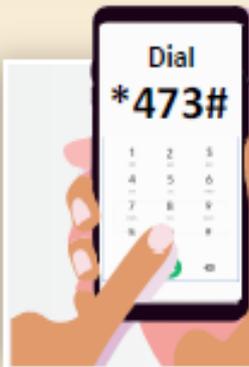
1. Bulky SMS system for communication to the members through text messages
2. USSD Code *473*, short code 30305 and KPPF mobile app to check their balances, list of beneficiaries and projections
3. VPN through which secretariat staff are able to remotely access emails and systems
4. Zoom app for virtual trainings and meetings
5. Telephone numbers 0110023973/ 0743221786 through which members and clients can contact the Secretariat
6. Email address info@kppf.co.ke through which members can forward their queries and submit documents for processing of benefits
7. Website from where members can get updates and information about the scheme.

The challenges posed by Covid-19 have given the organizations an unprecedented opportunity to come up with practical business continuity plans (BCP). Businesses have realized that there is a need to continuously innovate and implement strategies that guarantee continuity of provision of services to members whatever the circumstances. The traditional face to face customer service is diminishing, replaced by the new norm characterized by self-service portals. This is the era of data in the cloud, online portals, and apps.

As we weather this challenging period, the Fund commits to exploring new and more innovative ways of ensuring that it discharges its obligations effectively well beyond the Covid-19 pandemic.



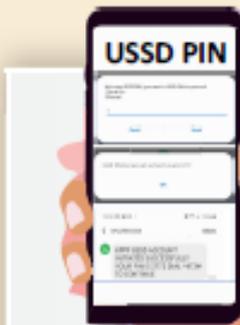
ONLINE SERVICES



01
STEP ONE

DIAL *473#

Dial USSD code *473#.



Welcome GREGORY, you need a USSD PIN to proceed
1.Send Pin
2.Cancel

1

Cancel Send

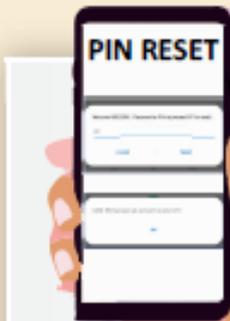
KPPF USSD ACCOUNT INITIATED SUCCESSFULLY
YOUR PIN IS 3772 DIAL *473# TO CONTINUE

02
STEP TWO

USSD PIN

For first time users, it will show the menu as below. Use option 1, to get a PIN sent to your phone via SMS.

Your PIN is displayed on the screen and sent to your phone.



Welcome GREGORY, Please enter PIN to proceed (97 to reset):

97

Cancel Send

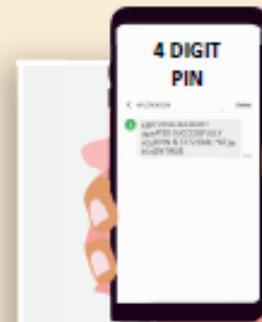
USSD PIN has been set and sent via sms 3772

OK

03
STEP THREE

PIN RESET

If you have forgotten your PIN, type in 97 to reset your PIN. The 4-digit PIN code shall be sent to your phone via SMS.



KPLCPENSION Delete

KPPF USSD ACCOUNT INITIATED SUCCESSFULLY
YOUR PIN IS 3772 DIAL *473# TO CONTINUE

13:22

04
STEP FOUR

4-DIGIT CODE

The 4-digit PIN is what you will use to access your account.

