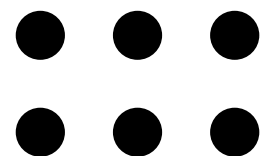


Impact of Regulatory framework & policy updates

**Presented by: Charles Machira
CEO Retirement Benefits Authority**

***12th – 13th June,
Pride Inn Paradise, Shanzu Mombasa***



RBA'S MANDATE



Regulate and supervise -
establishment and
management of retirement
benefits schemes



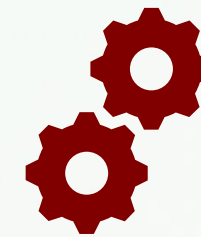
Protect - interests of
members and sponsors



Promote - Development of
the retirement benefits
sector



Advise - The Cabinet
Secretary for the National
Treasury

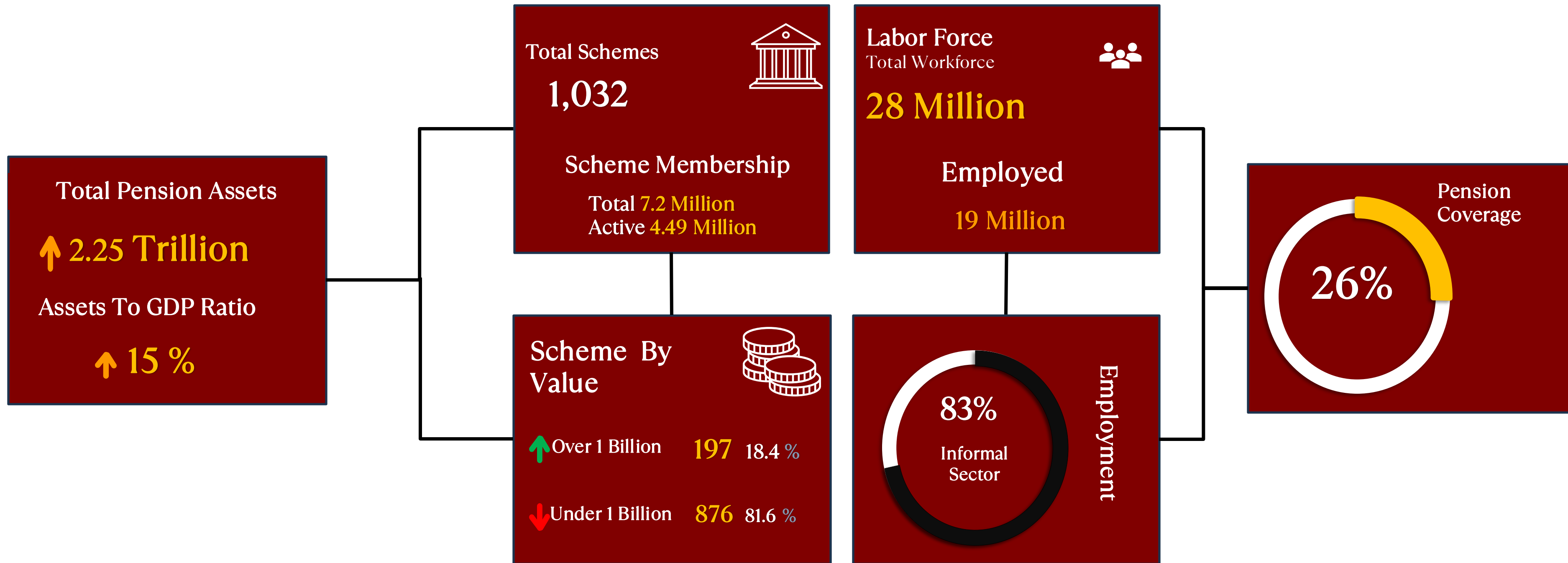


Implement - Government
policies relating thereto



RBA has the responsibility of driving innovation, growth, and sustainability
within the pensions industry

INDUSTRY OVERVIEW

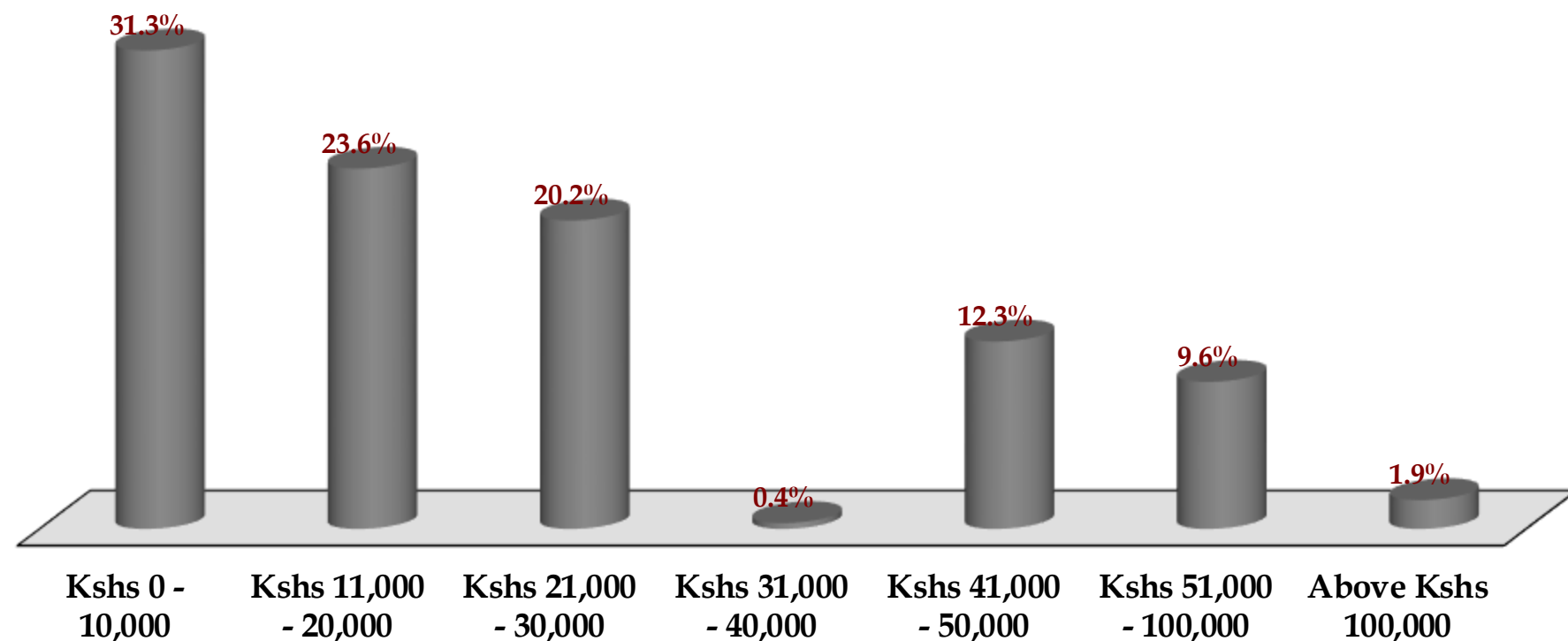


The industry has continued to record growth across all key metrics, including **total pension assets**, **membership**, and **pension coverage**. Through its **Strategic Plan 2024-2029**, the Retirement Benefits Authority (RBA) aims to increase total pension assets to **Ksh 3.4 trillion** and achieve a pension coverage rate of **34%** by **2029**.

PENSIONERS' SURVEY HIGHLIGHTS

Pension Inadequacy with High dependency Burden

Monthly Pension Received



- **55%** of pensioners surveyed earn less than Kshs 20,000 monthly pension
- Only **2%** of pensioners surveyed earn above Kshs 100,000
- **57%** Of pensioners feel that their retirement savings are not sufficient

< 40

The pension replacement ratio in Kenya is less than the ILO recommended 40%.

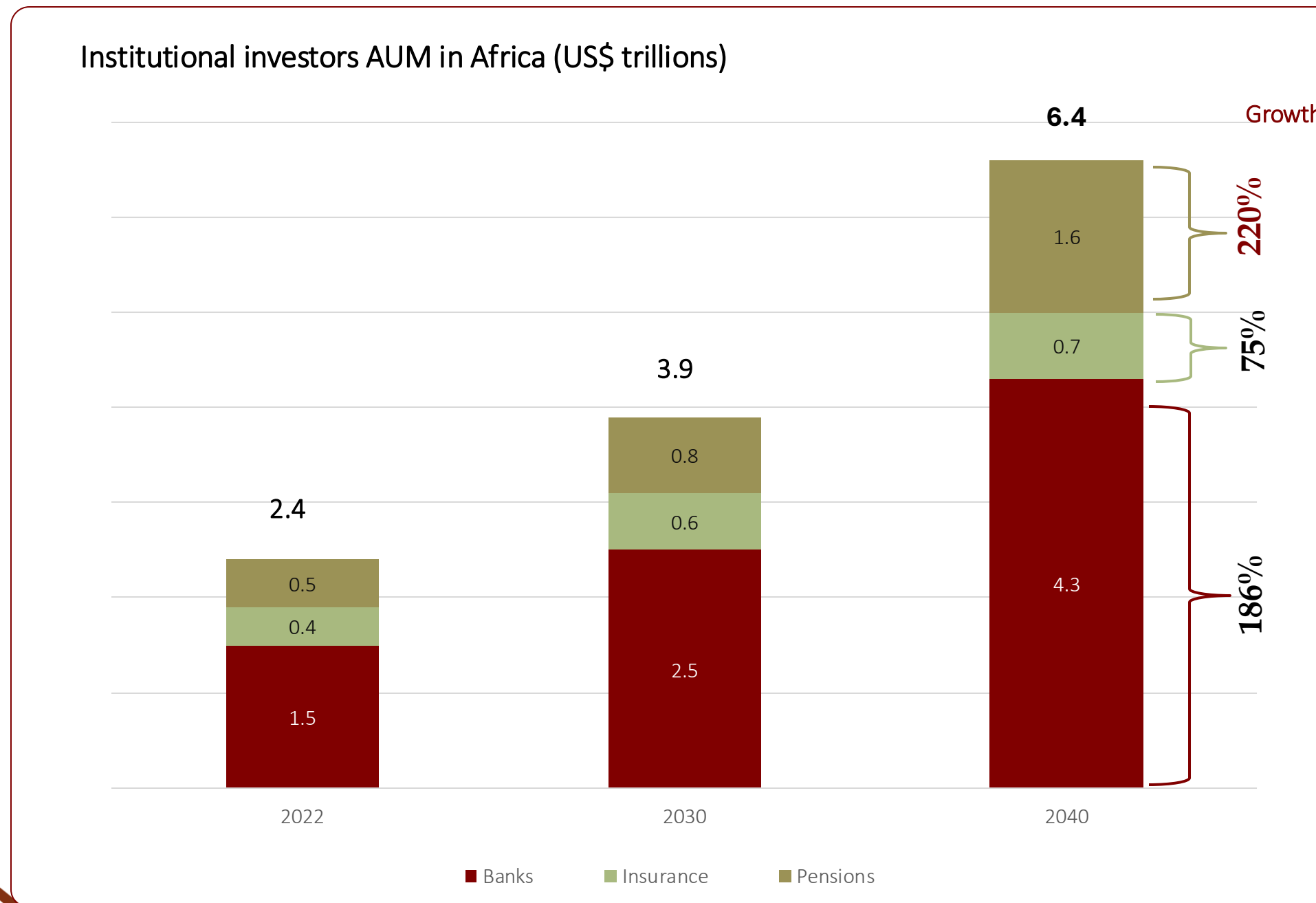


83% of the respondents noted that they and one or more dependents

Low pensions Amounts coupled with high dependency burden means that most retirees are struggling to make ends meet calling for strategies to increase pension savings in the country.

PENSION FUNDS INVESTMENT TRENDS

Pension funds are projected to be the fastest-growing institutional investors in Africa – growing over 220% between 2022 and 2040 compared to Insurance (75%) & Banks (186%)



Strategic Implications

This growth brings both opportunity and responsibility that require us to:

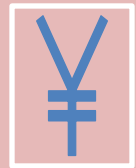
- Strengthen **governance and risk frameworks** to manage larger & more complex portfolios.
- Leverage **technology** for member services & enhance transparency.
- Develop policies that promote long-term, **sustainable investment**.

Source: Taskforce on Blended Finance

KEY INDUSTRY CHANGES

IMPLEMENTATION OF NSSF ACT

The main objective of the NSSF, 2013 is to enhance savings and ensure **adequacy of benefits** for workers in the long run. The act imposes a **contribution rate of 6%** for both the **employer and employees**. Since higher deductions began in February 2023, Kenyans have saved over **Ksh 250 billion**.



Increased Savings though enhanced contributions has seen NSSF Assets grow to over Ksh. 520 B.



Due to higher savings, NSSF is looking to invest in PPPs (Nairobi and Mau Summit).



The move aligns with NSSF's strategy to diversify earnings from traditional assets (e.g., Treasury bills, bonds, where over half of 520 billion assets are invested) to higher-return opportunities.



However, there is still need to deal with implementation challenges faced by schemes such as difficulty in opting out of Tier II contribution remittance to NSSF.

To date, **427 (41%)** Reference schemes approved. 4,176 employers have contracted out. This represents less than 5% of active employers under NSSF

ii. TAX AMMENDMENT LAWS

i. Tax Laws (Amendment) Act, 2024

Enhanced tax-exemption limits on contributions to a registered scheme
(From KES 20,000 to 30,000)

Introduction of a Tax deductible on contributions to PRMF up to **KES 15,000**

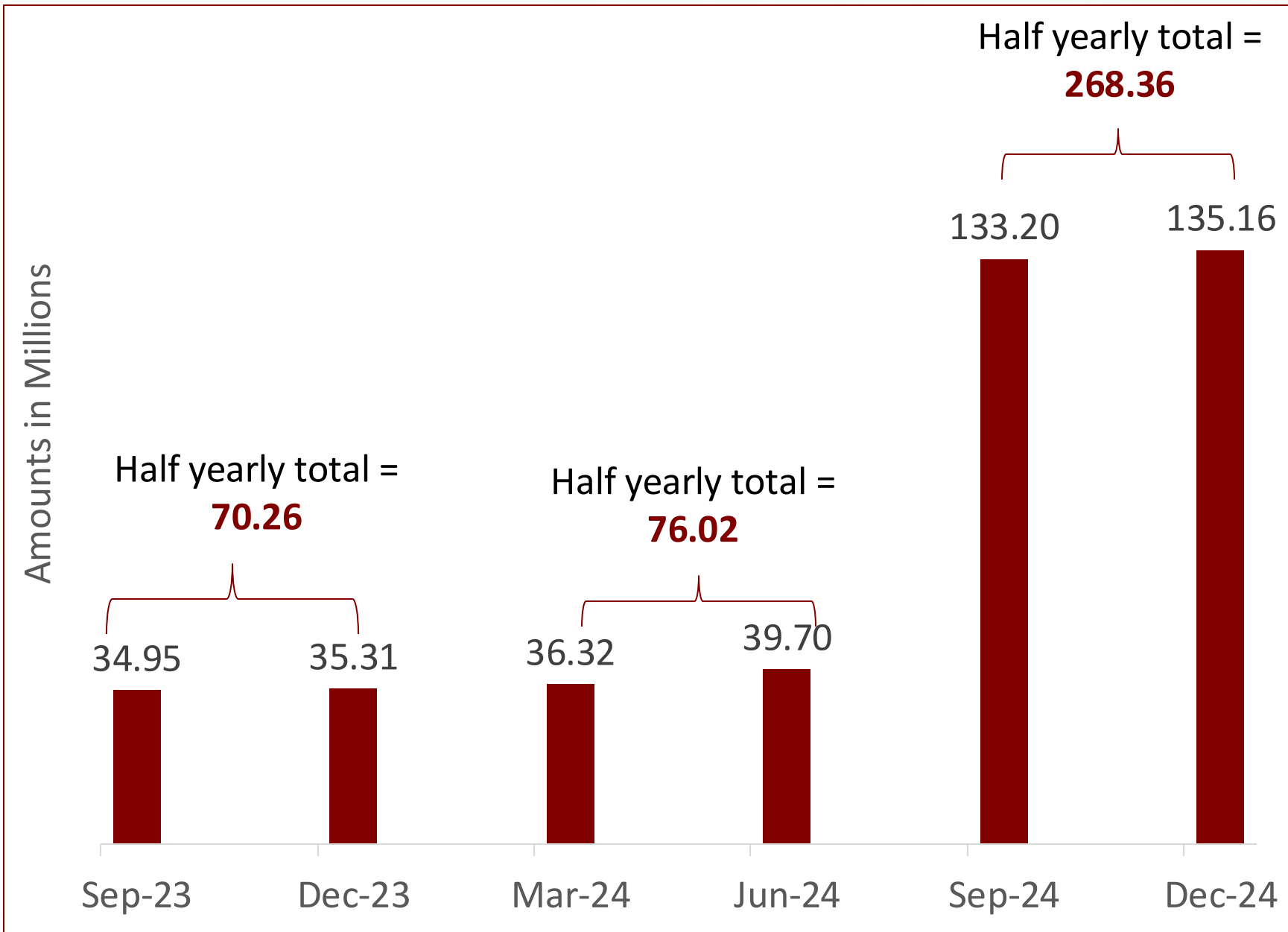
Tax exemption on pension benefits at access after **20 years** or on attainment of **retirement age as defined in scheme rules.**

Simplified registration for Retirement Benefits schemes. KRA registration not required for Tax Exemption

ii. Payment of Corporate Tax on Income from a Retirement Benefits Scheme

Tax Appeal Tribunal Judgement of August 2024 on an Appeal No. E754 of 2023 guided that Income from a Registered Scheme is exempt from Tax as provided in Sec. 13(1) & Part I of the 1st Schedule of the Income Tax Act

iii. POST RETIREMENT MEDICAL FUND



The total contributions to post retirement medical funds for the period ending 31st December 2024 was Ksh. 268.36 million. This is an increase of Ksh. 192.34 million from Ksh. 76.02 billion reported in June 2024, representing a 253.0% growth over the period.

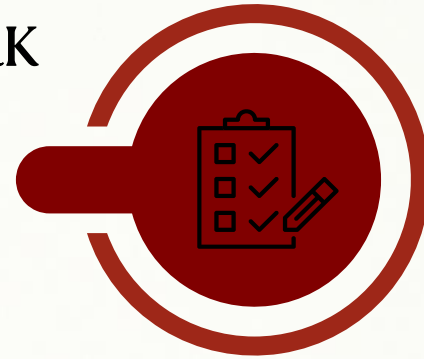
The Retirement Reality:

1. Medical expenses are among the **biggest financial burdens** for retirees.
2. Most retirees in Kenya **rely on out-of-pocket payments**, risking poverty and financial distress.
3. Despite the growing numbers, **less than 5% of schemes** in Kenya have established PRMFs – a missed opportunity for member welfare.

iv. NATIONAL RETIREMENT BENEFITS POLICY

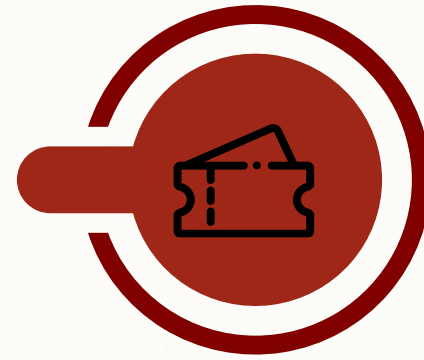
01 COORDINATE FRAMEWORK

To Coordinate and harmonize the existing legal and regulatory framework to integrate various legal provisions governing the retirement benefits sector.



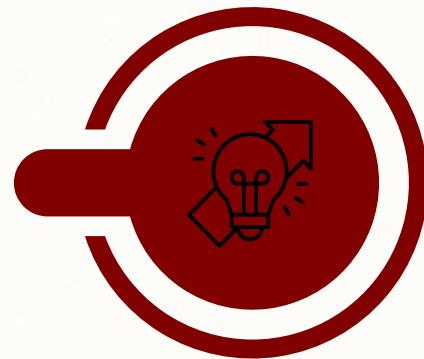
02 ENHANCE COVERAGE

To enhance Retirement Benefits Coverage



03 SUSTAINABLE GROWTH

Provide mechanisms of good governance and sustainability of the retirement benefits to promote growth and diversification



04 FACILITATE PORTABILITY

To promote and facilitate portability of retirement benefits between schemes and across borders



05 PROMOTE INNOVATION

To promote and facilitate innovation in the retirement benefits sector



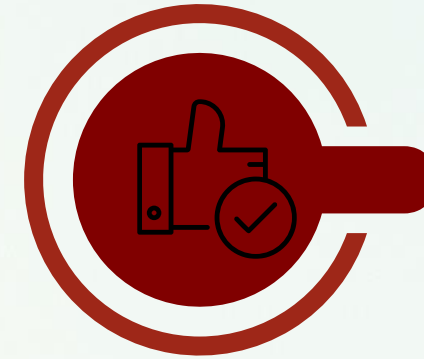
The National Retirement Policy: Key Policy Interventions



Kenya's **National Retirement Benefits Policy (2023)** provides a unified framework to guide the development, regulation, and sustainability of the retirement benefits sector.

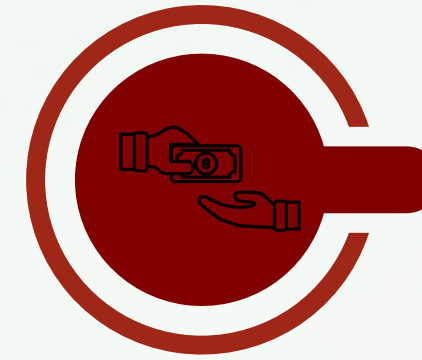
AFFORDABILITY AND ADEQUACY 06

To promote affordability and adequacy of retirement benefits for workers.



BENEFITS PAYOUT 07

To regulate retirement benefits payout phase



MEDICAL BENEFITS 08

To promote Post-Retirement Medical Benefits and Old Age Care.



HOUSING 09

To establish a housing sub-fund for members when saving for retirement



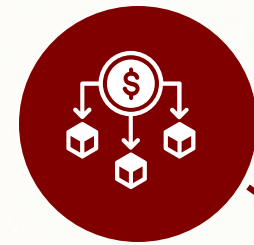
OPPORTUNITIES IN THE FUTURE

i. POLICY REFORM OPPORTUNITIES

To empower retirement, policy must evolve to unlock innovation, widen access, and support diverse member needs.

Diversified Investment Opportunities

Promote asset allocation to private equity, venture capital, and infrastructure aimed, at improving returns and aligning pension assets with national development goals.

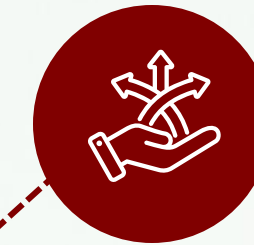


Post-Retirement Medical Funds

Policy support for schemes to set aside separate funds for medical expenses after retirement.



Promotes holistic retirement well-being beyond income.



Tiered & Flexible Products

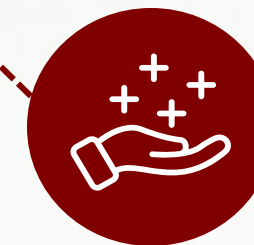
Encouragement of bundling of pension and flexibility of pension products, catering to members with varying income levels through the NRBP.

Supports portability and phased retirement solutions.

Micro-Pensions for Informal Sector

The NRBP lays the Policy groundwork for micro-pension schemes tailored to informal workers.

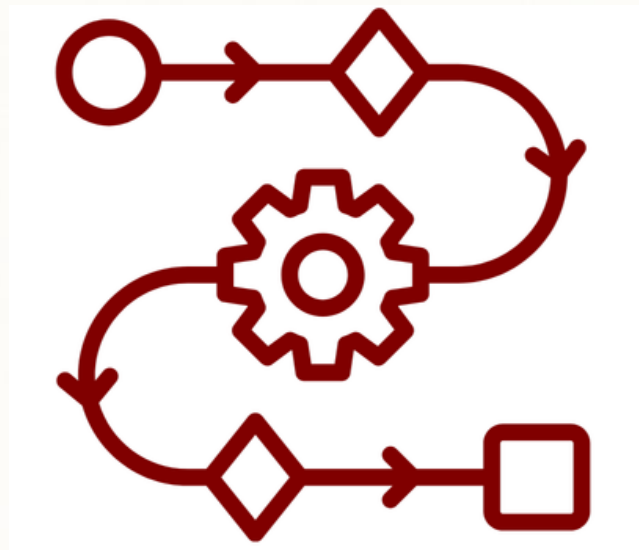
Focus on flexible contributions, mobile platforms, and simplified registration.



ii. DIGITAL TRANSFORMATION AND TECHNOLOGY OPPORTUNITIES

Pension funds must embrace digital transformation to ensure innovation and growth. This will require will promote strides in how they operate, engage members, and make decisions. Key areas for technological transformation include:

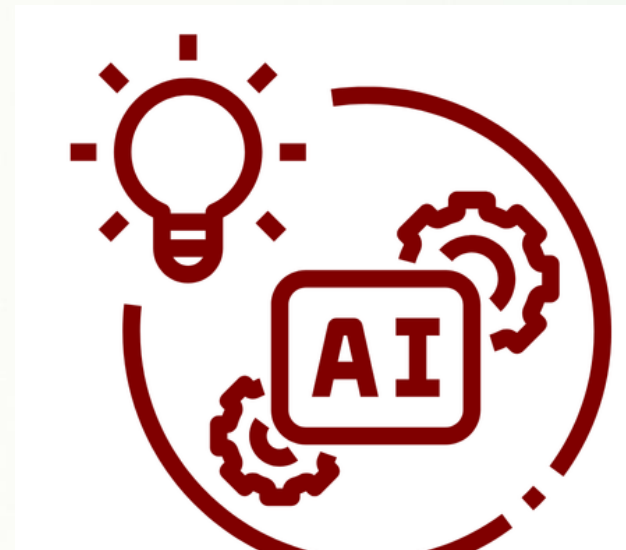
Automation & Efficiency



Pension funds will need to leverage on technology to:-

- Streamlines administrative processes
- Enhances real-time data analysis
- Improves communication and reporting

Machine Learning and AI



AI and machine learning can be used to: -

- Supports smarter investment strategies
- Detects risks and anomalies early
- Enables personalized insights and advice

Mobile & Online Platforms



Members will benefit from mobile and online platforms by:-

- Members can expect 24/7 access
- Enables tracking, contributions & statements
- Supports digital onboarding and engagement

iii. MEMBER-CENTRIC REGULATION - EMPOWERING MEMBERS & TRUSTEES

1. Strengthening Consumer Protection

- Enforcement of RBA's Consumer Protection Guidelines to ensure fairness, transparency, and member benefit security.
- Trustees are mandated to comply with investment limits, disclosure standards, and ethical conduct.

3. Enhancing Transparency & Grievance Redress

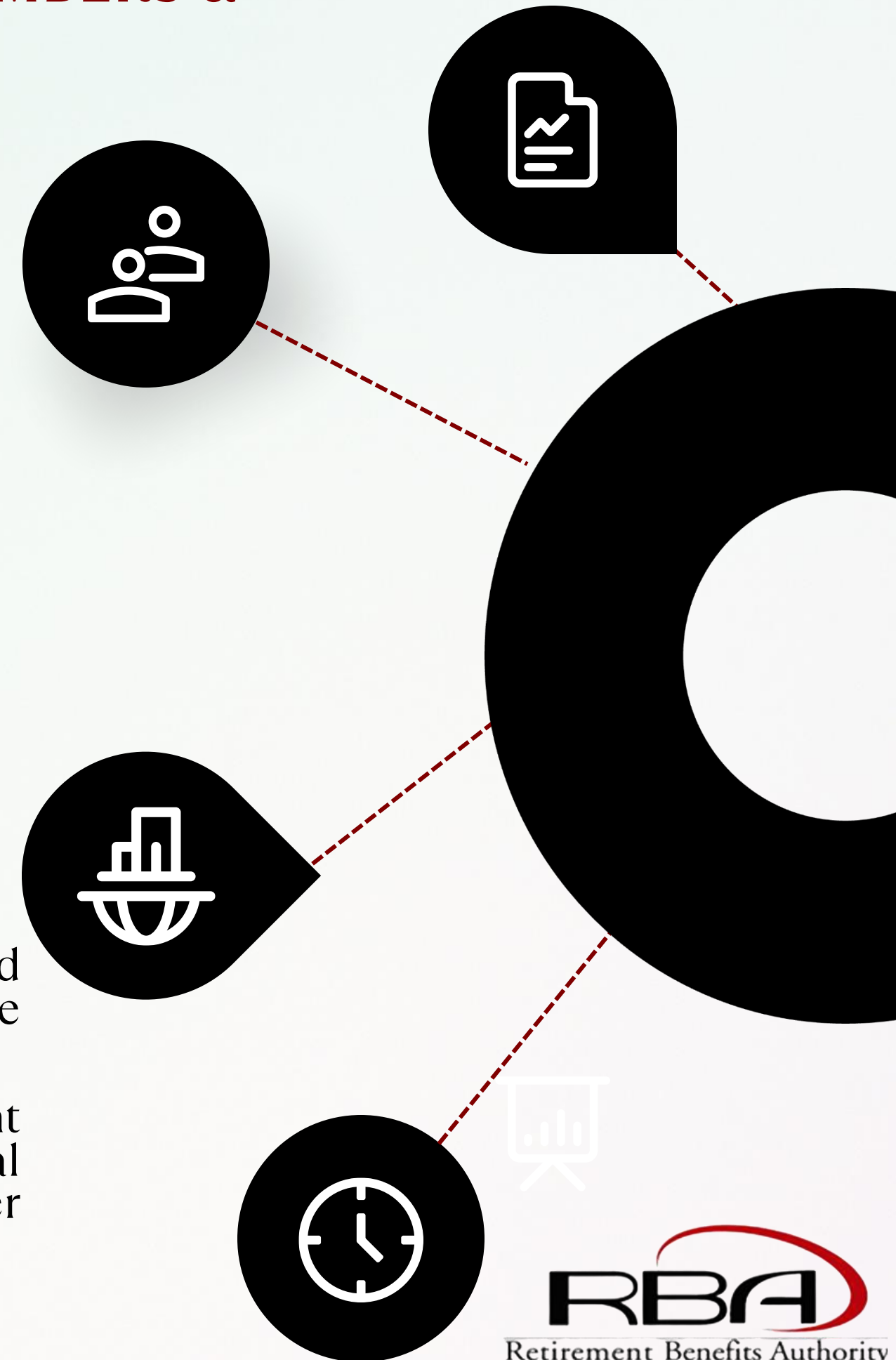
- Requirement for timely communication, clear benefit statements, and accessible grievance channels.
- Trustees must maintain open communication lines, document decisions, and respond promptly to member issues.

2. Promoting Financial Literacy

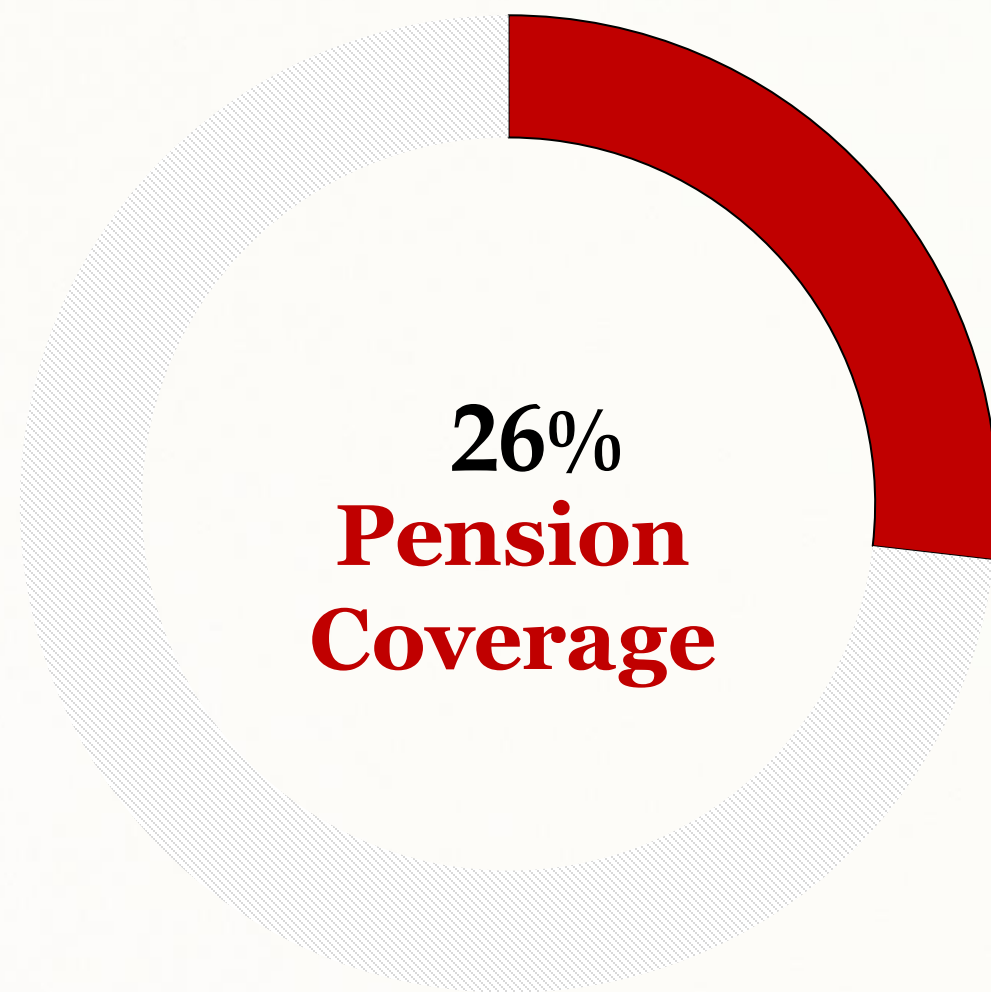
- RBA drives nationwide pension awareness campaigns, including online tools, seminars, and scheme-specific outreach.
- Trustees are encouraged to hold member education forums and support informed decision-making.

4. Trustee Certification - TDPK & ADPK

- RBA mandates trustee training and certification to strengthen scheme governance.
- Continuous professional development ensures trustees understand legal duties, risk management, and member engagement.
- Capacity building for Administrators

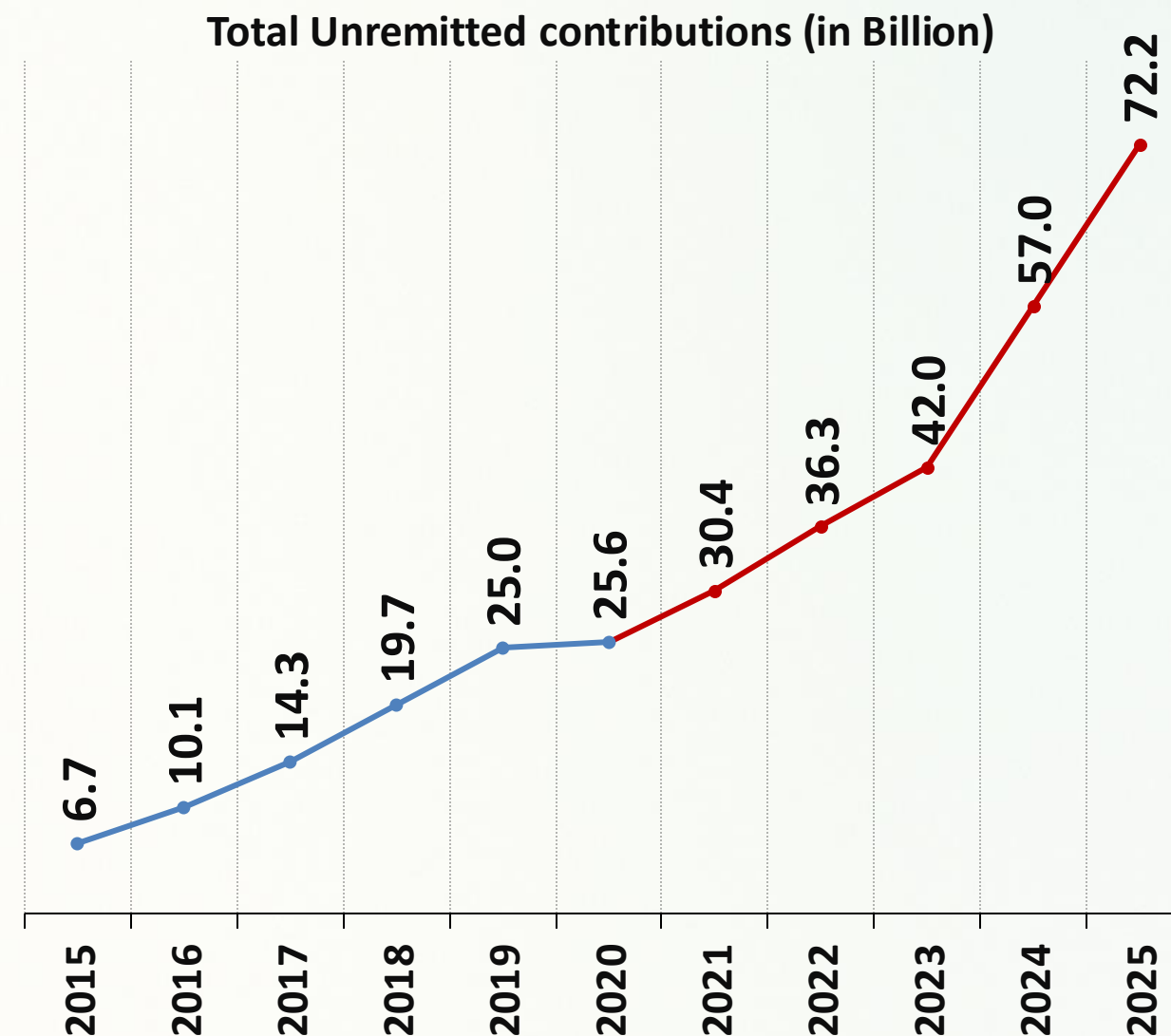


i. Pension Coverage



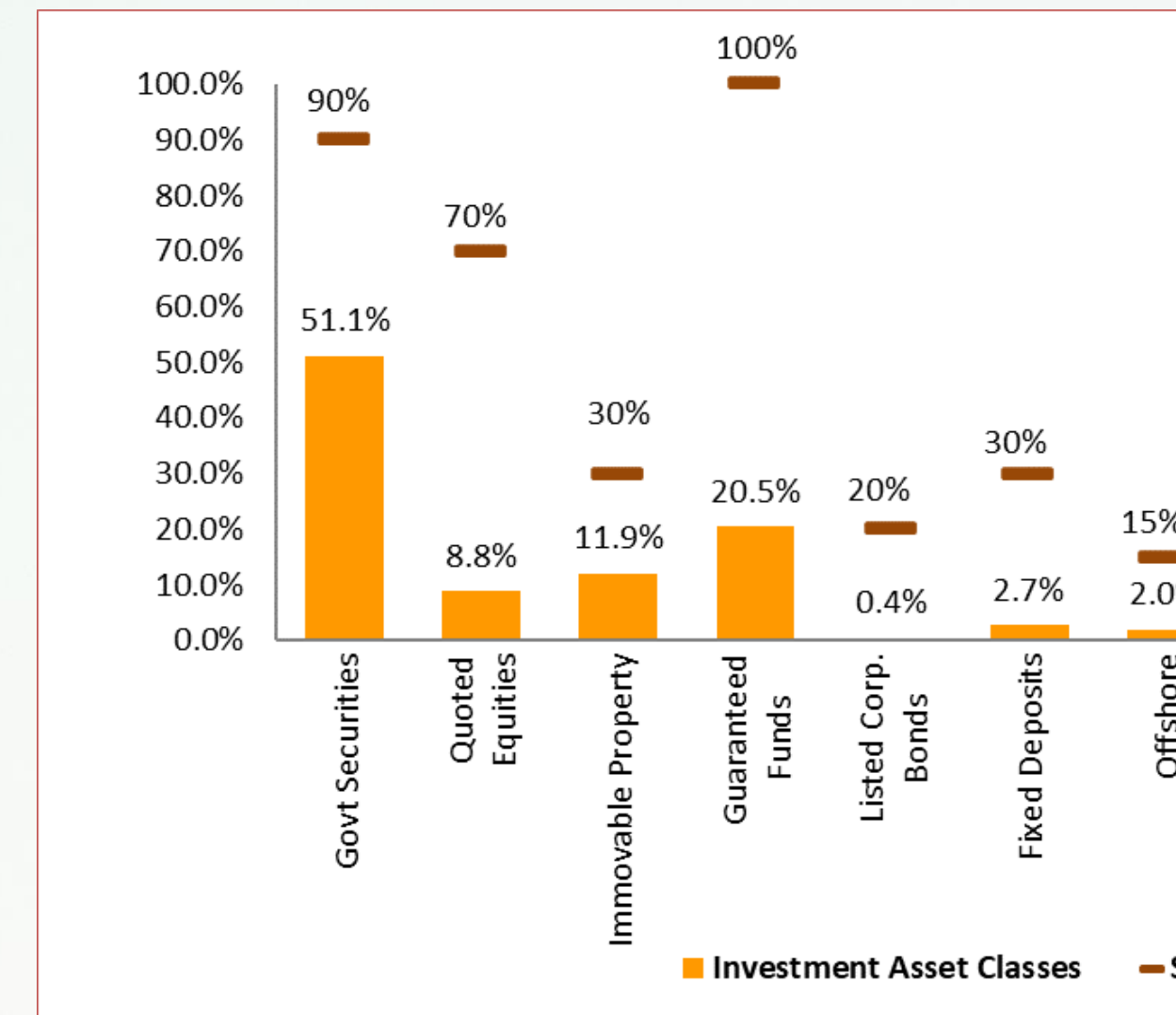
74% of Kenyans within the working age population do not have any form of pension access, exposing them to old-age poverty

ii. Unremitted Contributions



Total Unremitted - **KES 72.2 B (March 2025)**. Public sector schemes account for 98% of the amount. Steady rise experienced since 2020.

iii. Concentration Risk



92% of investments were in 4 Asset Classes. Schemes encouraged to consider Alternative investments.

OTHER EMERGING ISSUES

Longevity Risk:

life expectancy after retirement is rising hence the danger of *outliving retirement savings*.

What should be done to ensure people do not outlive their savings?

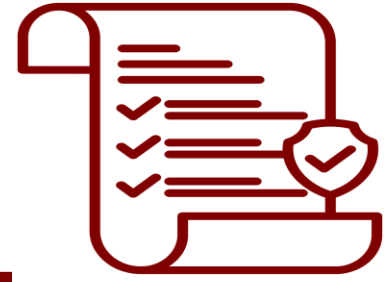
Dependency Burden among retirees:

Most workers are retiring while still having *dependents* further putting *pressure* on their pensions. What should be done to prepare them for this fact and promote savings?

Retirement Age:

Globally, Many countries are raising retirement ages due to longer life expectancies and aging populations. **How should Kenya respond to these global trends?**

WHAT IS RBA DOING?



National Retirement Benefits Policy

- Focused on **innovation**, encouraging development of **flexible and inclusive products**.
- Addresses the **diverse needs** of different workforce segments – including informal and gig economy workers.



Integrated Pension Information Management System

- Aims to **digitize and interconnect** sector players.
- Promotes **data granularity**, enhances **member tracking**, and supports **portability** of benefits across schemes.



Review of Legal Framework

- Introduction of **sub-accounts** within pension schemes.
- Enables **personalization** of pension savings (e.g., education, housing, medical).



Emphasis on ESG in Investments

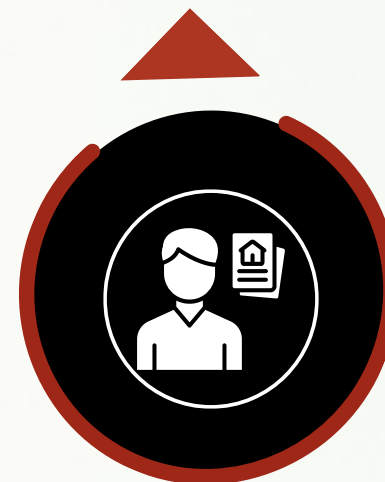
- Working on embedding **Environmental, Social, and Governance (ESG)** principles in scheme investments.
- Collaborated with development partners such as FSD Africa to develop **ESG integration frameworks and toolkits**.

Act & Regulations

Enhancement of Trustees

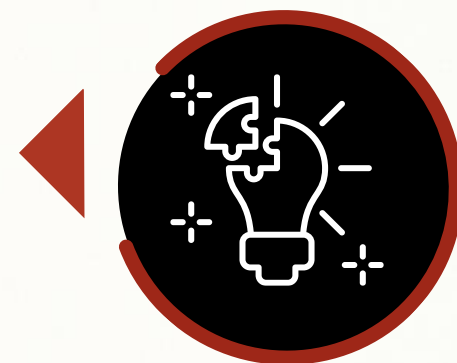
Term Limit

It is proposed that the term of individual trustees be lengthened to 4 years, renewable once



Unremitted Contribution Collection

Amendment of sect 53B of the Retirement Benefits to provide a procedure collection of the unremitted contribution by KRA as an agent



Regulation and supervision of Trust Funds

Proposal to include regulation and supervision of trust funds used for the payment of minors and other legally incompetent beneficiaries under the mandate of RBA.



Preservation of retirement Benefits

It is proposed that early access of retirement benefits before retirement, be progressively limited to AVC only



PROHIBITION OF INVESTMENT IN IMMOVABLE ASSETS

Umbrella Retirement Benefits Schemes Regulations be amended to limit the permitted asset classes of investments to readily tradeable assets only.





Retirement Benefits Authority

Thank You

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