



***“DIGNITY IN RETIREMENT”***

**ENWEALTH 8<sup>TH</sup> ANNUAL TRUSTEES FORUM**

***Sustainable Pension Strategies for the 21<sup>st</sup> Century***

**Policy and Regulatory Developments shaping pension Industry:**

***19<sup>th</sup> March 2025***

**Charles Machira**

## PRESENTATION OUTLINE

**1**

**INDUSTRY OVERVIEW (DEC 2024)**

**2**

**KEY REGULATORY AND POLICY CHANGES**

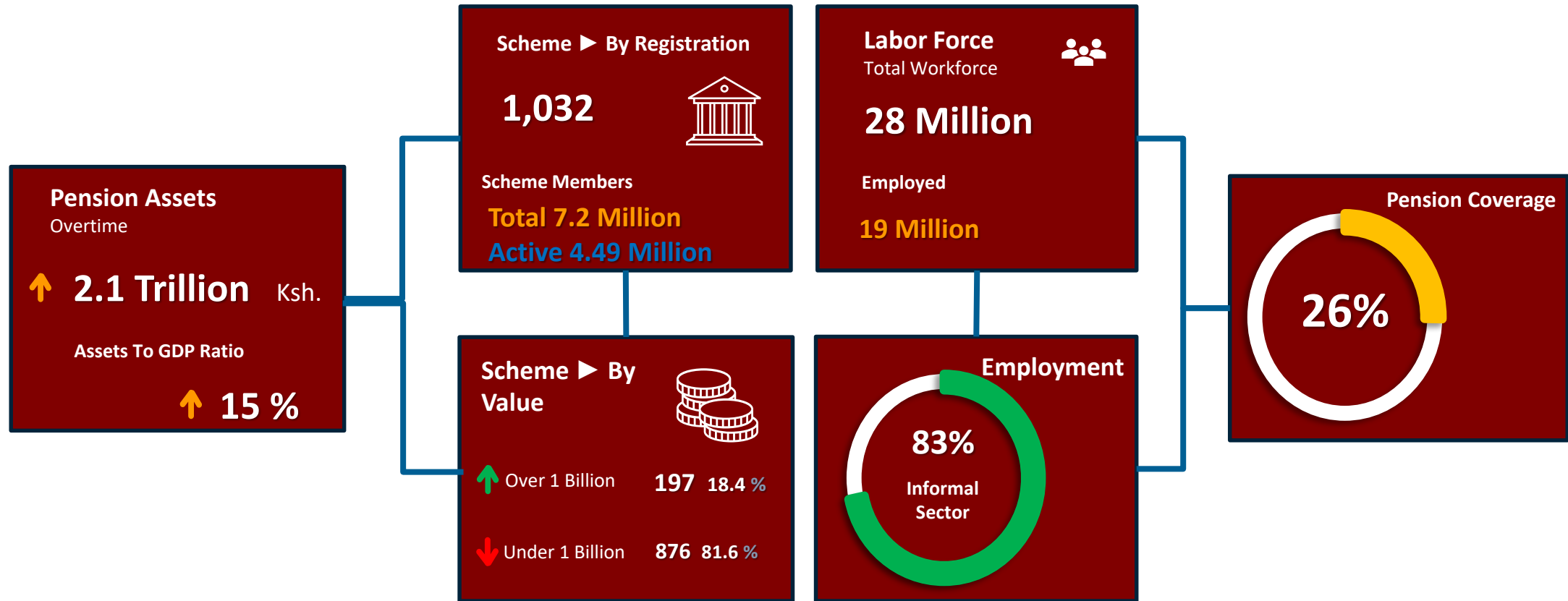
**3**

**CHALLENGES AND OPPORTUNITIES**

**4**

**STRATEGIC DIRECTION & WAY FORWARD**

# INDUSTRY OVERVIEW



strategic targets by June 2029

To promote saving for retirement by *increasing the total pension assets to Kshs. 3.2 trillion and the pension coverage to 34% by 2029*

## 1) National Retirement Benefits Policy

This policy aims to provide a framework to guide the harmonization, coordination, good governance and growth of the retirement benefits sector through the following **Key Policy interventions: -**

<div>1. PENSION COVERAGE</div> <div>To enhance Retirement Benefits Coverage</div>	<div>2. AFFORDABILITY AND ADEQUACY</div> <div>To promote affordability and adequacy of retirement benefits for workers.</div>	<div>3. BENEFITS PAYOUT</div> <div>To regulate the retirement benefits payout phase IDDs:23 Assets: Ksh 24.6 B</div>	
	<div>4. MEDICAL BENEFITS</div> <div>To promote Post- Retirement Medical Benefits and Old Age Care.</div>	<div>5. HOUSING</div> <div>To establish a housing sub-fund for members when saving for retirement</div>	

## 2) Taxation of Retirement Benefits

### 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. Tax Appeal Tribunal Judgement on taxation of Income of a RBS

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 1<sup>st</sup> Schedule** of the Income Tax Act

We have scheduled a session with Industry practitioners and KRA to discuss tax issues affecting Pension Industry by 31.3.25

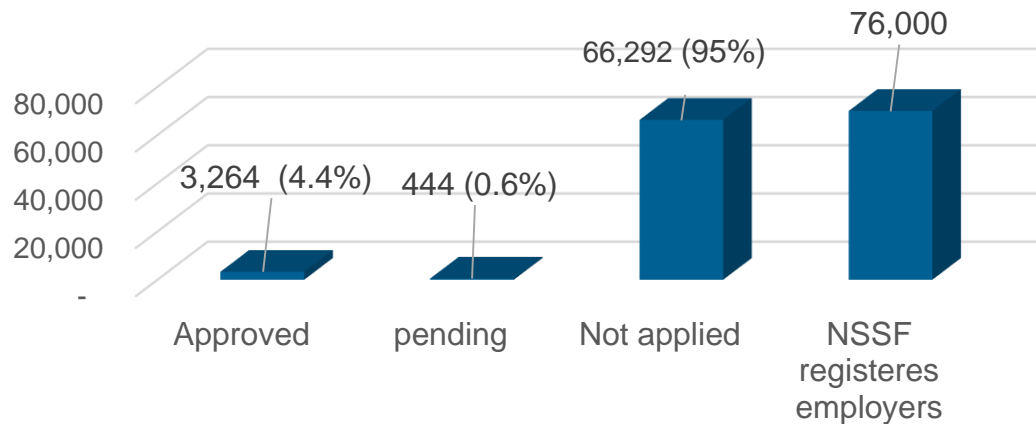
### 3. THE NSSF ACT, 2013

Objective of the NSSF, 2013 is to enhance savings and ensure **adequacy of benefits**.  
The act imposes a **contribution rate of 6%** for both the **employer and employees**.

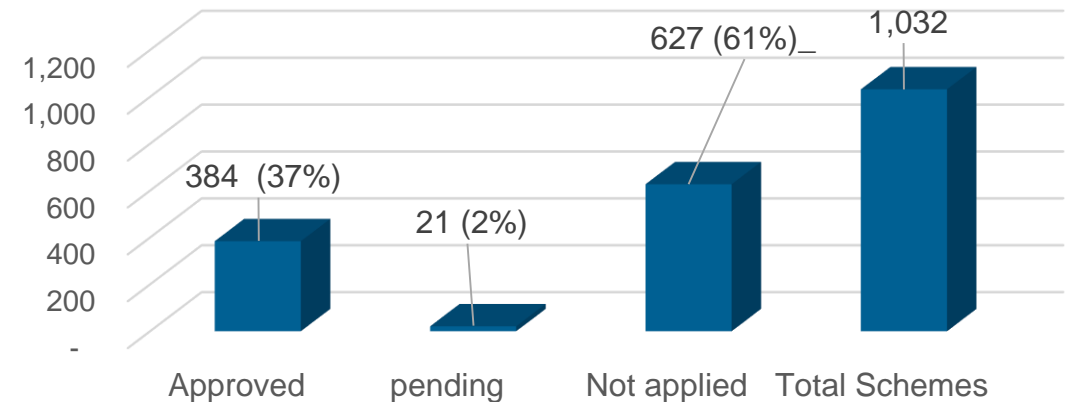
## Implications

- Increased Savings though enhanced contributions rates of 12% of pensionable emoluments.
- There is need to deal with implementation challenges faced by schemes

Contracting out employers

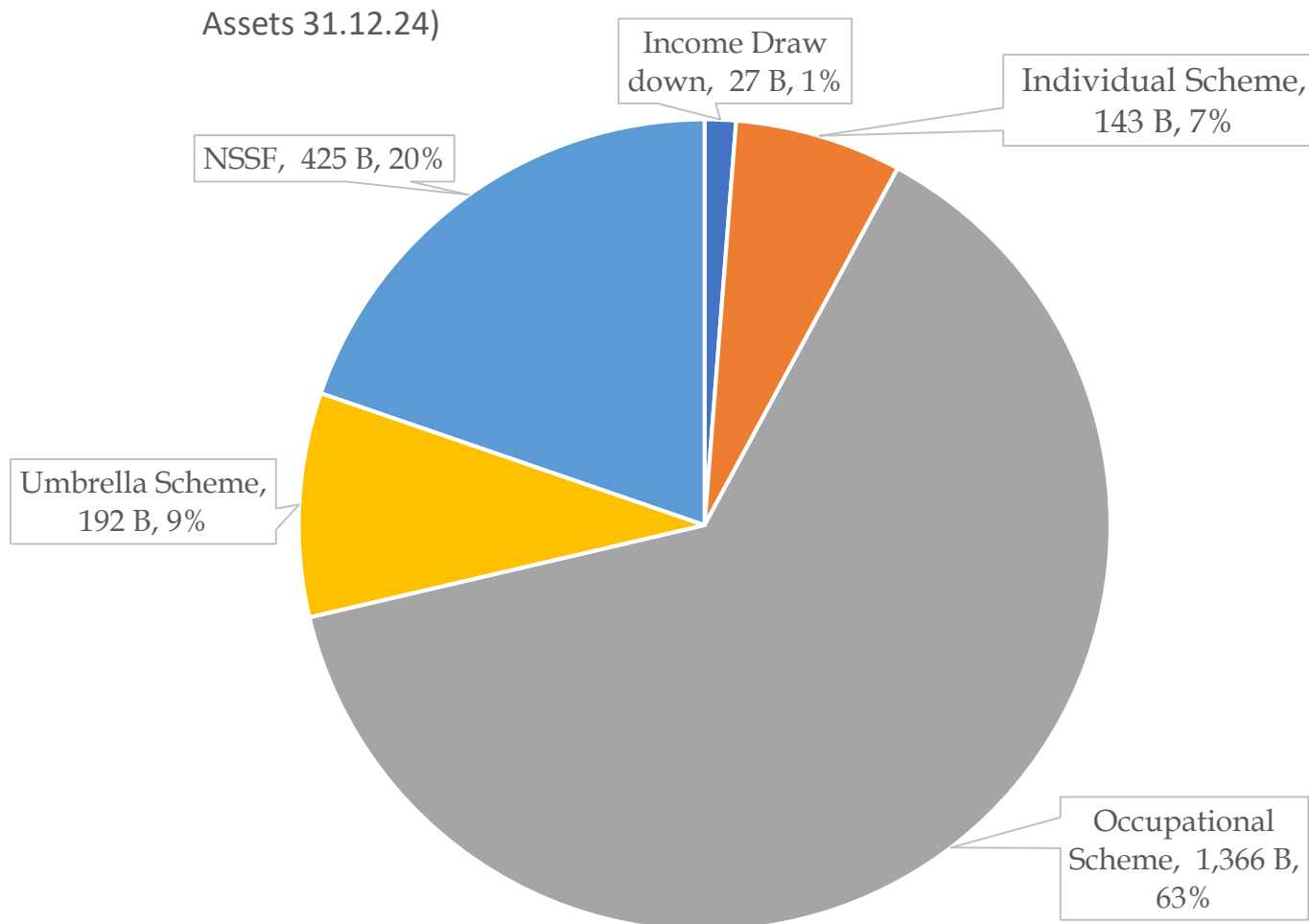


Reference schemes



# Assets held by schemes

## Scheme funds by categorization 31.12.2024



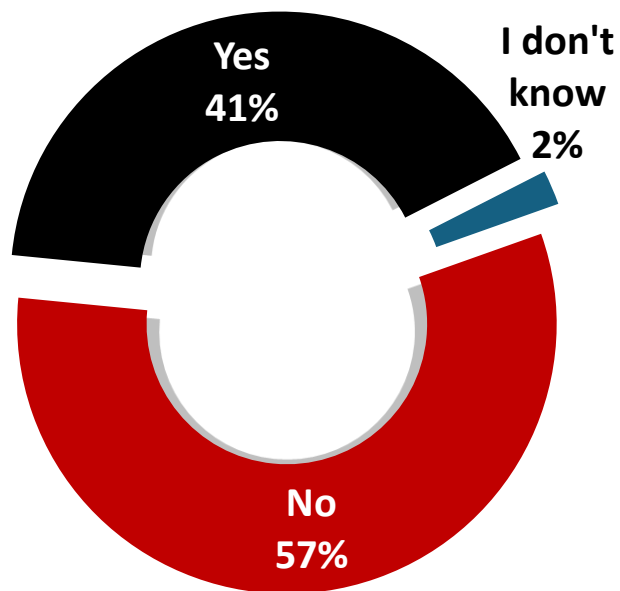
Type	Number	Assets (B)
Income Draw down	23	27
Individual Scheme	59	143
Occupational Scheme	893	1,366
Umbrella Scheme	56	192
NSSF	1	425
	1032	2152.3

# *CHALLENGES & OPPORTUNITIES:*

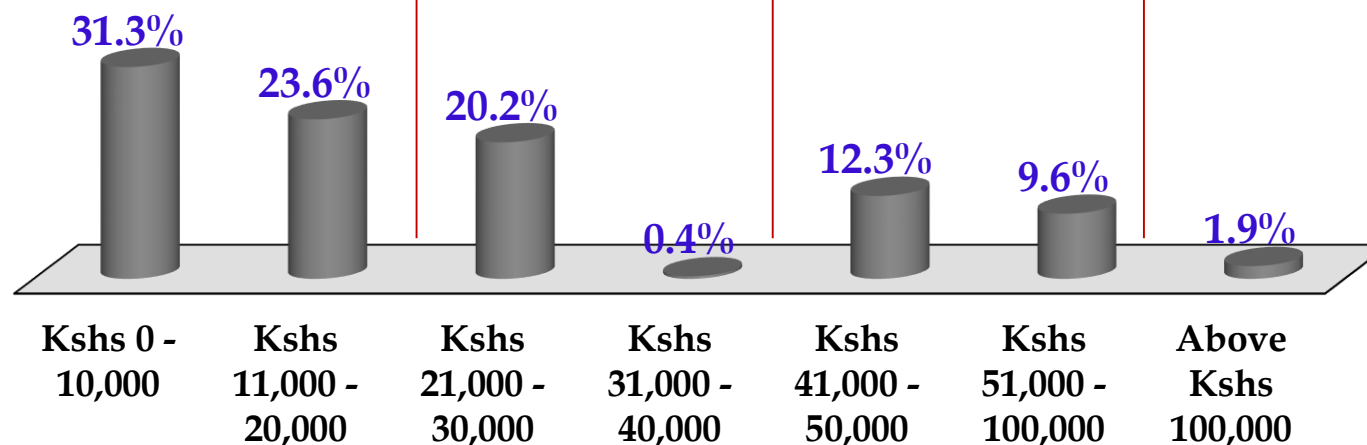


## i. Adequacy of Benefits

### Savings Sufficiency



### 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

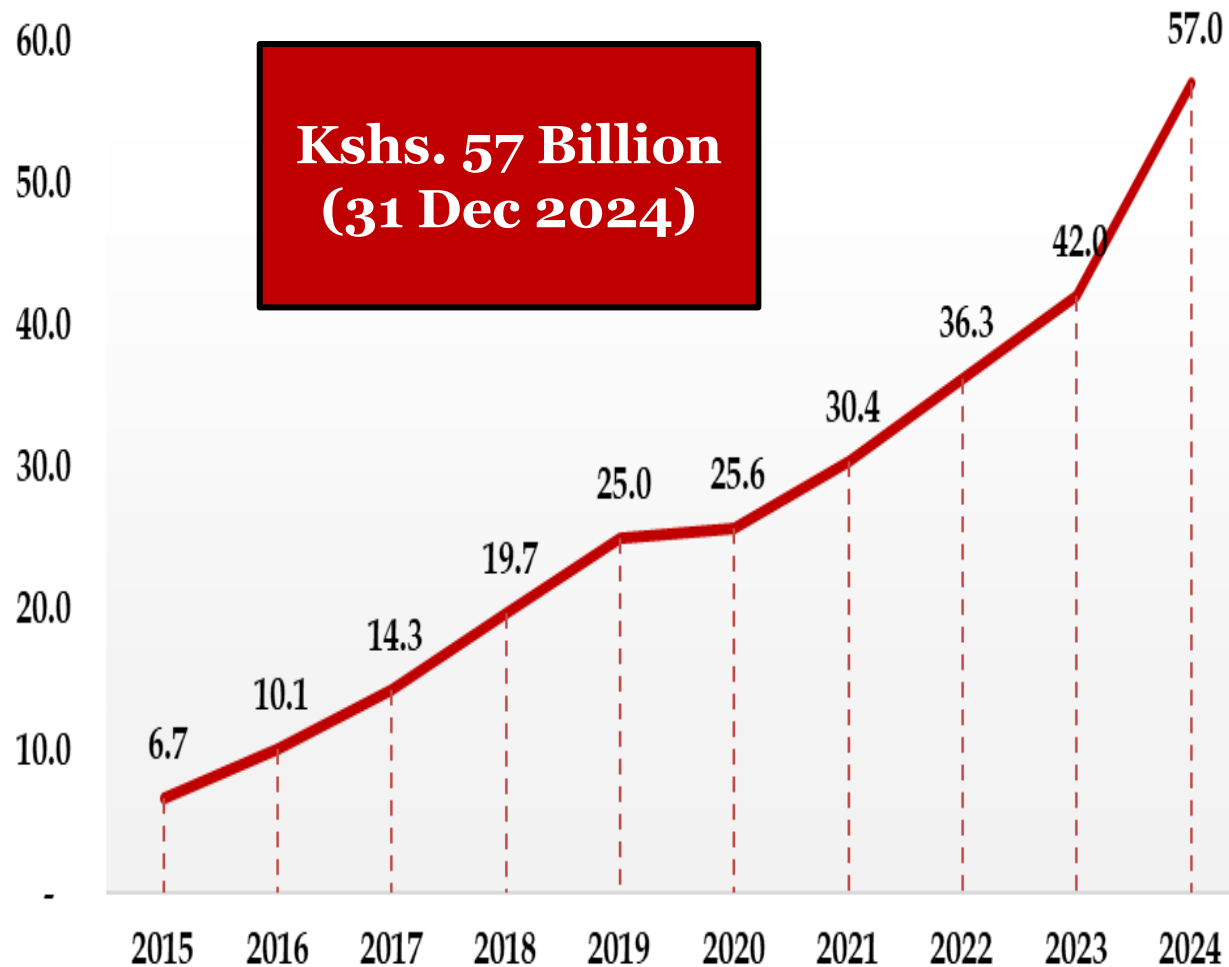
Source: The 2024 Pensioners Survey, RBA

- Income replacement rate in retirement is generally **Low**, Largely occasioned by **Early Access, Low Savings rates** and **Short-term Savings culture**.

# CHALLENGES

## ii. Unremitted Contributions

Total Unremitted Contributions (Kshs. Billions)

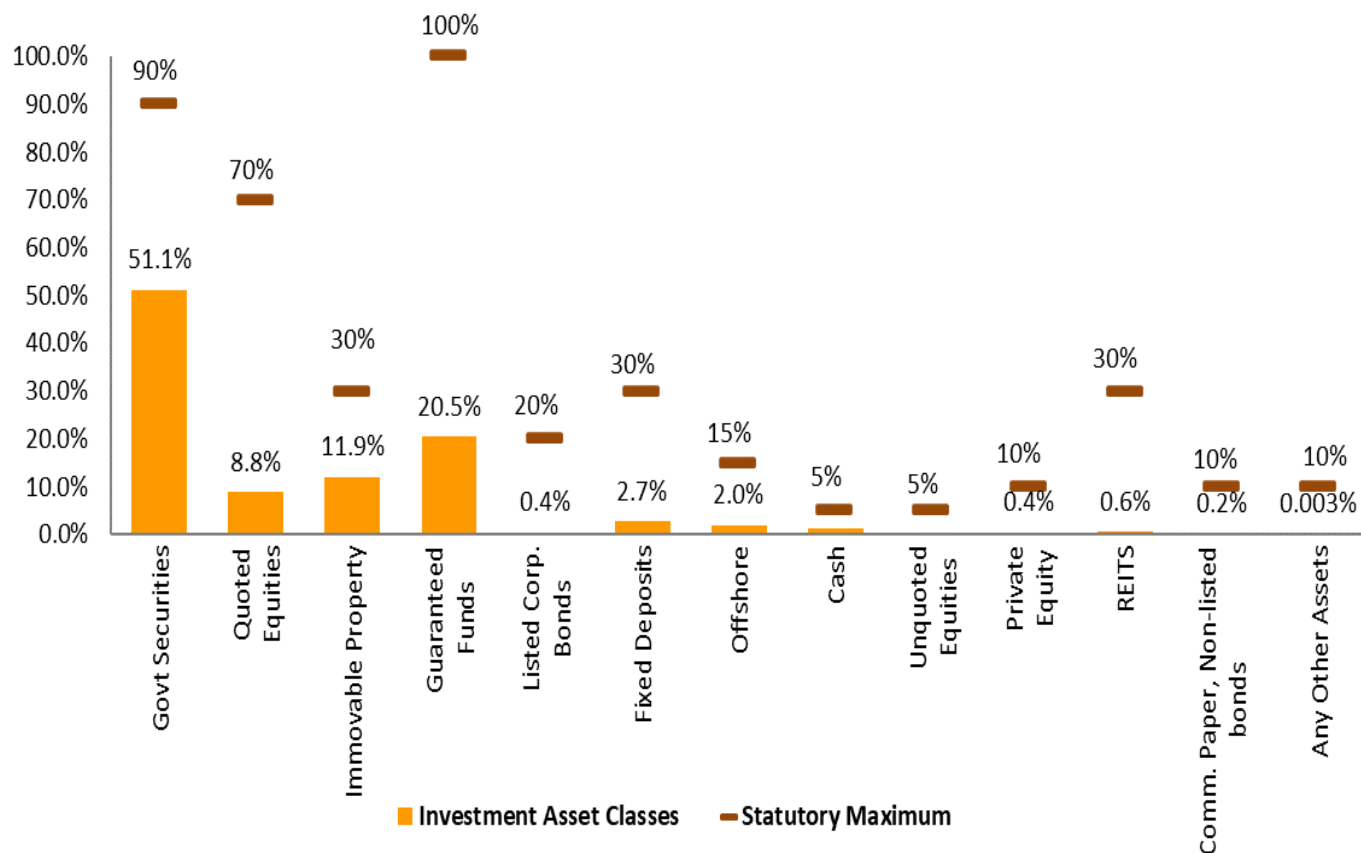


31<sup>st</sup> Dec. 2024, unremitted Contributions were at **KES 57 B**, with public sector schemes accounting for **98%** of the total arrears.

### Key Interventions: -

- **Sponsors & Trustees:** Develop, submit, and oversee the implementation of approved remedial action plans.
- **National Treasury:** Report progress, identify regulatory gaps, and seek government support for recovery efforts.
- **National Assembly:** Advocate for better recovery measures and propose legal amendments to strengthen recovery mechanisms.

## iii. Concentration of Pension Assets Investments



As of Dec 2024, over **51%** of investments were in government securities.

*Why consider Alternative investments*



Increased concentration of investments



An **enabling** regulatory environment with over 15 asset classes



**Growth in the size of pension assets** calls for investment in additional asset classes.



**Inflation protection** from investments in **assets** such as infrastructure projects

The investment trend tends to shift towards fixed income or less volatile assets such as government securities, guaranteed funds and fixed deposits.

## i. Leveraging Technology In Pensions Management

Adoption of an **Integrated Pension Information Management System** to

Manage all operations  
in a **Single Integrated System**



## Benefits of IPIMS



## ii. Potential in the Informal Sector to Enhance Pension Coverage



**83%** of Kenya's workforce are in the **informal sector**, however, coverage is **less than 5%**. This presents a **huge potential** to expand pension coverage through initiatives such as: -

### Lower Administration costs

Informal sector schemes administrative costs should be low by leveraging on **technology**— The government can also avail a technology platform which market players setting up informal sector schemes can use

### Role of Micro-pensions

Promote the development of **small-scale** schemes designed to cater to individuals with **low** and **irregular incomes**, e.g. those in the informal sector and those excluded by traditional schemes.

### Pension Education

Aim for more **targeted** and **structured** training programmes to create **awareness** on the importance of savings for retirement for workers in the informal sector

# OPPORTUNITIES

## iii. Administrators Development Program of Kenya

### Key objectives

- Increase requisite knowledge and understanding of RBS governance principles;
- Increase understanding of scheme governance and application of scheme regulations and policies;
- Build capacity of administrators to provide advisory and training services to trustees, scheme members, and pension plan sponsors;
- Increase understanding of scheme benefits administration process
- Offer training on dispute resolution in the management of schemes;
- Offer training on how to save and plan for retirement;
- Enhance ethical standards and professionalism in schemes' administration

### Status

- Draft Curriculum has been developed
- Stakeholder engagement and validation
- To be launched in July 2025



## Proposed Key Policy Changes to the Retirement Benefits Act & Regulation

- 1 Enhancement of Trustees Term Limit
- 2 Amendment of sect 53B of the Retirement Benefits to provide a procedure collection of the unremitted contribution by KRA as an agent
- 3 Post Retirement Medical Funds Regulations:- To provide for stand alone PRMFs
- 4 Enhance Preservation of retirement Benefits :- phased preservation
- 5 Eliminate irregular commissions on transfers of funds from a segregated fund to guaranteed funds or change of providers (*Finders fees*)
- 6 Regulation and supervision of Trust Funds that manage retirement benefits for Minors
- 7 Bundling of pension products (borrowing, retirement medical, housing etc.)



*Thank You*

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