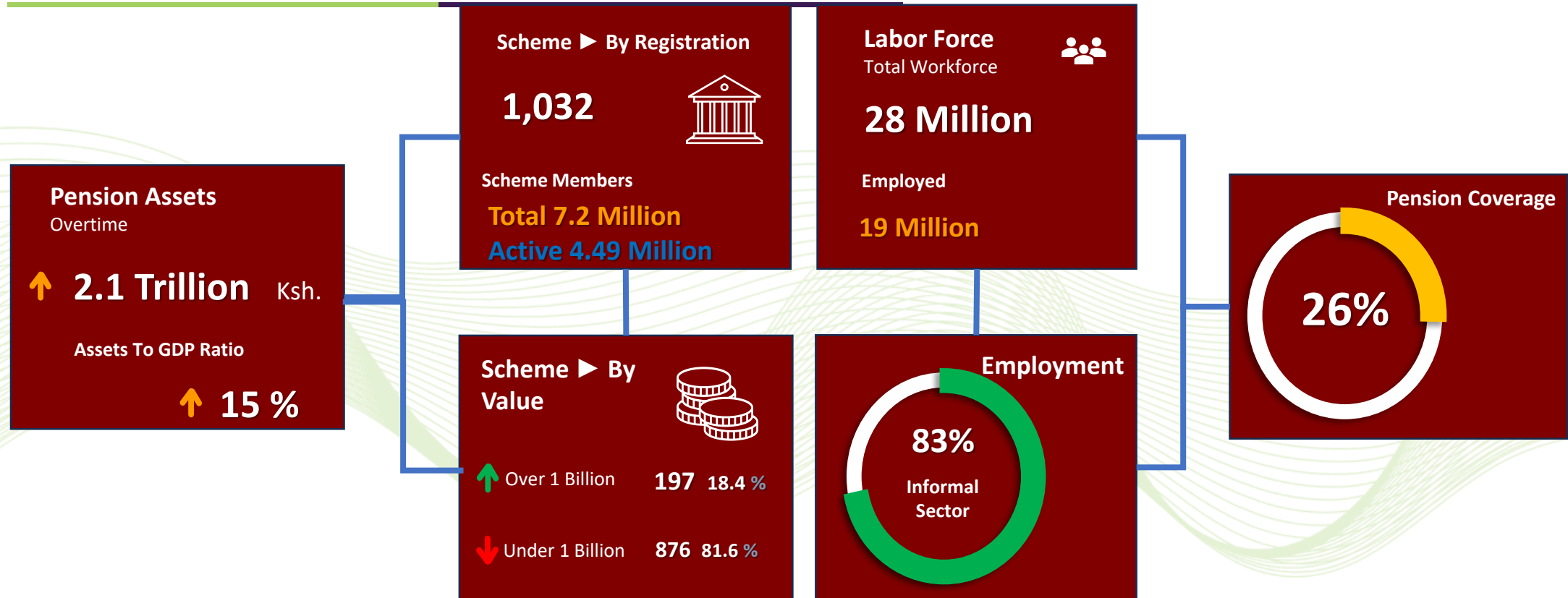




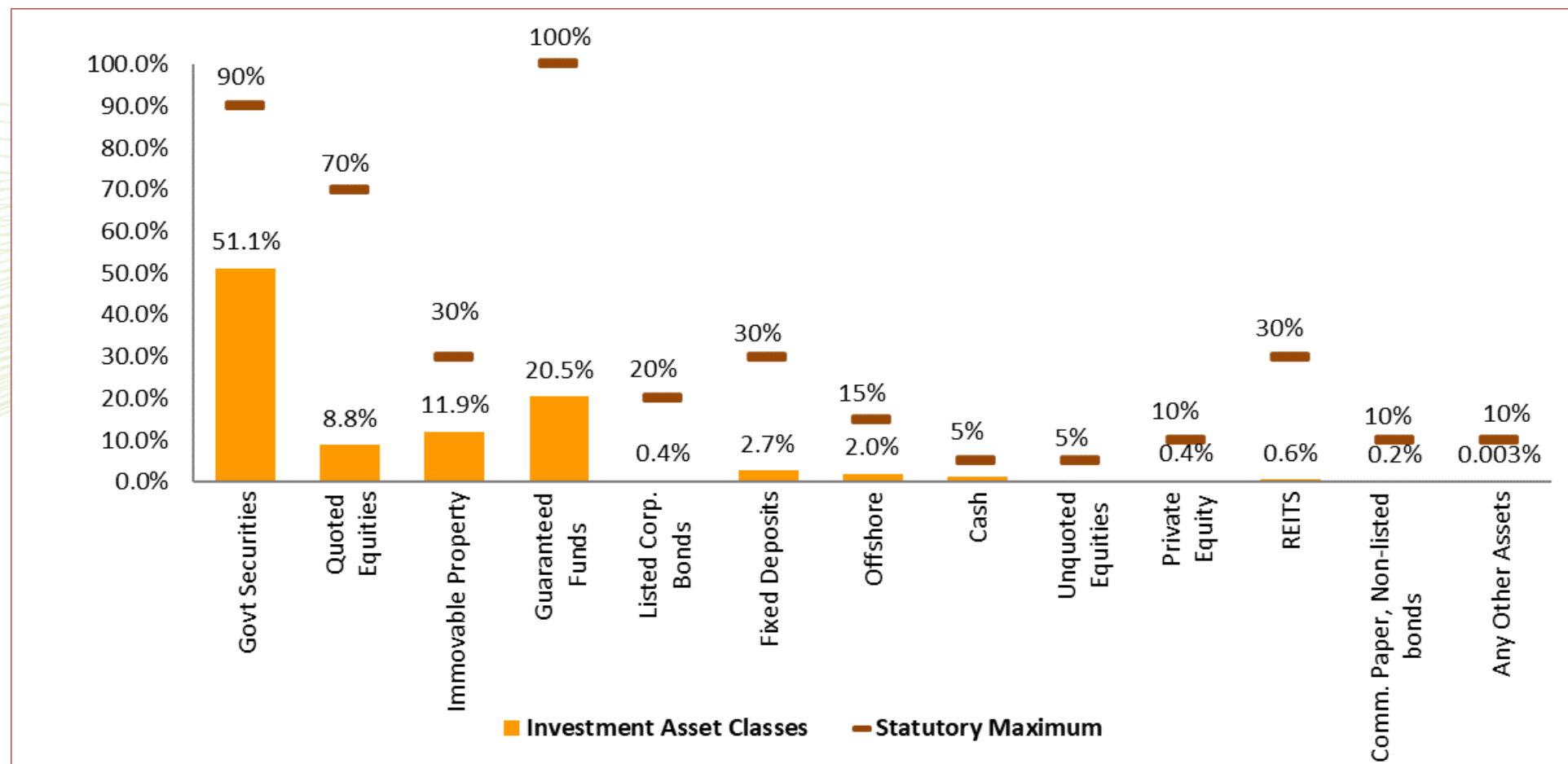
7TH GLOBAL INVESTMENT OPPORTUNITIES (GIO) INDUSTRY UPDATES



Industry Status Overview as at 31st December 2024



Industry Status Overview as at 31st December 2024- Investments



Tax (Amendment) Act of 2024



Impact

Increased from Kes. 20,000.00 to Kes. 30,000.00 per month or Kes. 240,000.00 to Kes. 360,000.00 per year

Benefits

Enhanced disposable income through higher savings with minimal taxes
Reduction in PAYE liabilities due to higher deductions.

Promotion of a savings culture through untaxed contributions

Alignment with economic conditions to retain the value of pension

The Impact:

- ☐ Savings on tax of 3,000 on contributions towards retirement Benefits and contributions towards post retirement medical fund
- ☐ 100% saving on tax for members who access their benefits at retirement or be in the scheme for 20 years and above

Tax (Amendment) Act of 2024

Benefits exemption

Impact

Pension benefits from registered schemes are now exempt from income tax:

Individuals who qualify include :

- ❖ Have reached the retirement age as defined by their scheme.
- ❖ Withdraw due to ill health before retirement age.
- ❖ Withdraw after at least 20 years of membership.

Benefits

Promotes long-term savings and discourages early withdrawals.

Provides financial relief for members facing health challenges.

Ensures retirees enjoy financial freedom by exempting pension benefits from income tax.

Tax (Amendment) Act of 2024



Impact

Increased from Kes. 5,000.00 per month to Kes. 15,000.00 per month

Key Benefits

Encourage healthcare savings, reducing financial strain on retirees

Provide immediate tax relief , increasing net income

Promote sustainable healthcare planning within retirement schemes

Aligns with the National Retirement Benefits policy , emphasizing comprehensive retirement planning

NSSF Act 2013

Contributions to the NSSF

	Lower Earning Limit	Upper Earning Limit	Max. Contribution (EE+ER)
YEAR 1	6,000.00	18,000.00	2,160.00
YEAR 2	7,000.00	36,000.00	4,320.00
YEAR 3	8,000.00	72,000.00	8,640.00
YEAR 4	9,000.00	108,000.00	12,960.00
YEAR 5 ONWARDS	As gazette by the CS	144,000.00	17,280.00

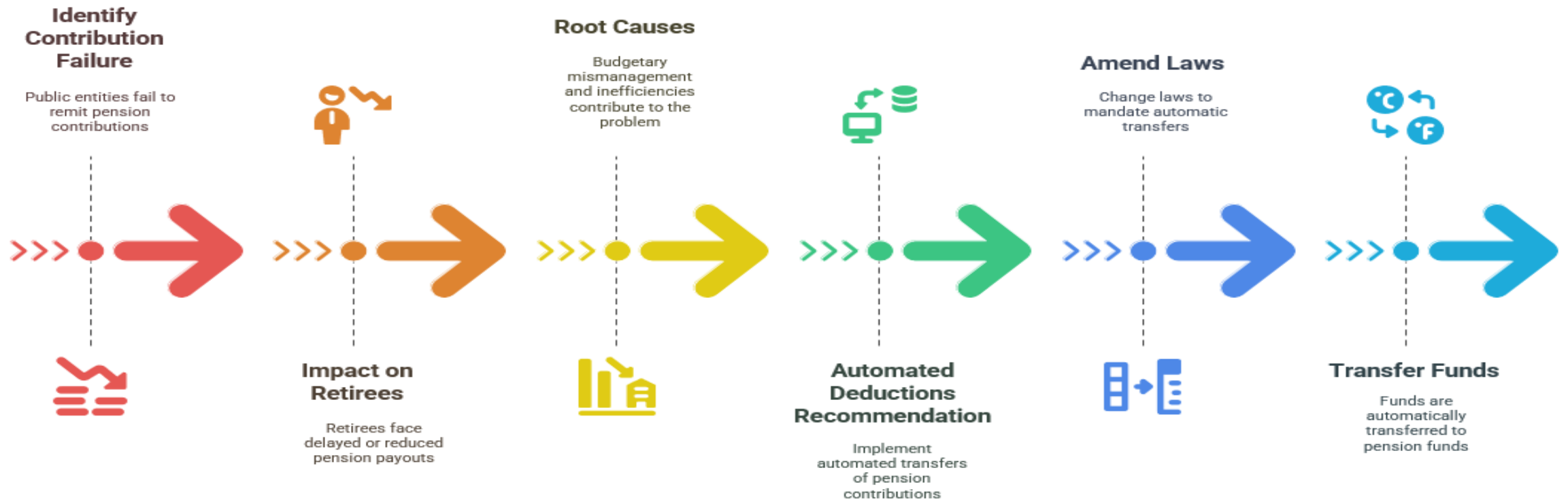
A glass jar with a black lid is filled with numerous coins. A white rectangular label is attached to the front of the jar, featuring the word "FUTURE" written in a black, handwritten-style font. The jar is placed on a surface with more coins scattered around its base. The background is a soft gradient of yellow and blue.

FUTURE

PROPOSED REFORMS

Unremitted Contributions

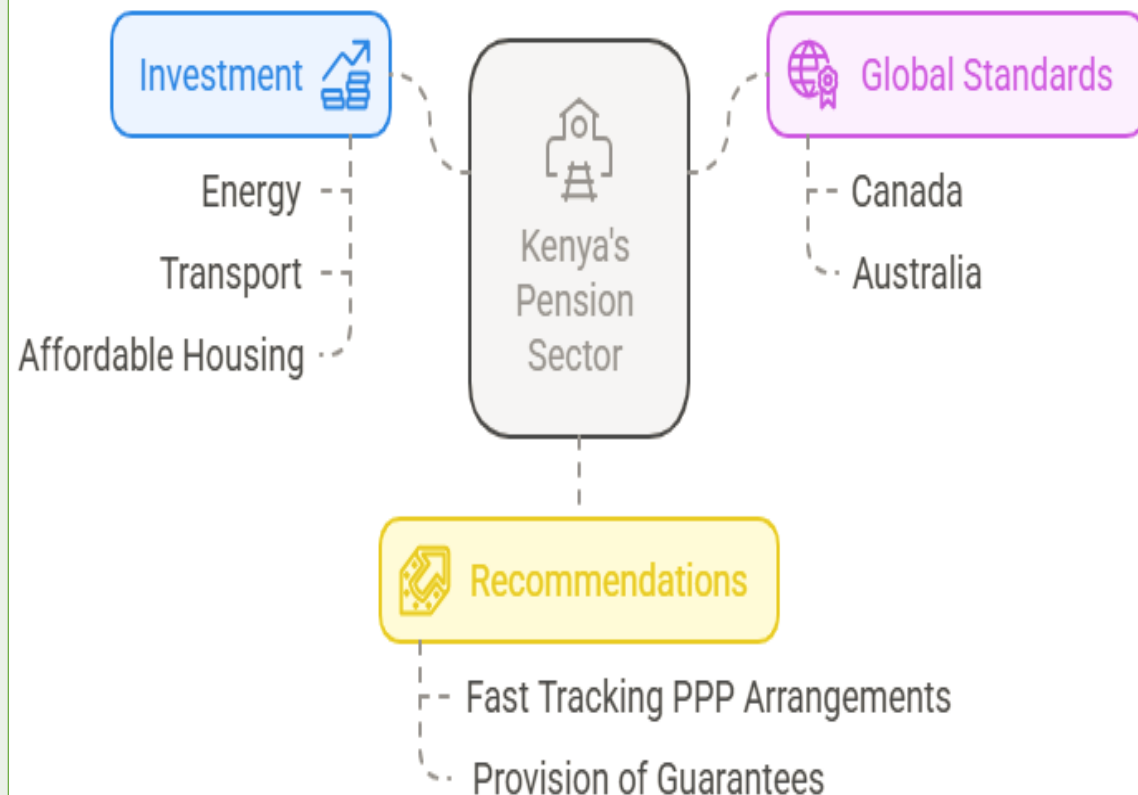
Public entities and county governments are failing to remit pension contributions, directly undermining retirees' financial security. This results in delayed or reduced pension payouts, exacerbating economic hardship for retirees who depend on these funds for basic needs. The root causes include budgetary mismanagement, cash flow prioritization elsewhere, or systemic inefficiencies



Infrastructure Investment

Kenya's pension sector has grown significantly, with assets exceeding KES 2.3 trillion by 2025, yet its potential to drive infrastructure development remains underutilized. While pension funds have invested in energy, transport, and affordable housing, these contributions remain modest relative to their capacity and global standards.

Globally, pension funds allocated USD 755 billion (1.2% of assets) to infrastructure by 2023, with countries like Canada and Australia reaching 5–10% due to supportive policies. Kenya's sector lags behind, highlighting the need for stronger frameworks to unlock larger-scale, impact-oriented infrastructure investments.



ISSUE	IMPACT	RECOMMENDATIONS
Corporation tax	While positive tax reforms—such as the KES 360,000 annual contribution deduction and tax exemptions at benefit access—have supported pension savings, the sector's growth remains constrained by the high 30% corporation tax on investment income from unregistered schemes, which is significantly higher than the 15% applied to money markets and Saccos; harmonizing or exempting this tax would enhance competitiveness and attract broader participation.	Harmonization of the Corporation taxes/ elimination of Corporation tax for pension funds
Consolidation of pension funds with AUM below Kes. 500m to umbrella arrangement	The establishment and administration of standalone pension schemes has proven costly and operationally burdensome, particularly for newly formed schemes with Assets Under Management (AUM) below KES 500 million. In contrast, umbrella pension funds offer economies of scale, reduced administrative costs, access to diversified investment portfolios, and professional fund management.	policy reforms to consider mandating or incentivizing the consolidation of small or startup pension schemes under licensed umbrella funds.
Benefits portability	Currently, there exists no agreements on portability of pension benefits and tax treatments within the EAC. This impacts on savings and movement of pension funds for Kenyans working within the EAC	Provide regulatory framework which will facilitate portability of retirement benefits savings between schemes in the country and across borders.

ISSUE	IMPACT	RECOMMENDATIONS
<p>Low pension coverage</p>	<p>Pension coverage in Kenya currently stands at approximately 25% of the workforce, predominantly driven by mandatory employer-sponsored schemes in the formal sector, which covers around 40% of formal workers. The National Social Security Fund (NSSF) Act of 2013 has expanded access, increasing active contributors to 2.5 million by 2023, but challenges persist in reaching the informal sector, which constitutes 85% of Kenya’s workforce and sees less than 5% pension participation. Globally, Kenya lags behind peers like South Africa (60% coverage) and the Organization for Economic Cooperation and Development (OECD) average (75%), reflecting systemic gaps in inclusivity and scalability.</p> <p>Financial literacy, at 38% among Kenyan adults, remains a critical barrier. Countries such as Singapore and Sweden, with financial literacy rates exceeding 60%, demonstrate how robust education systems and early financial training correlate with higher retirement savings. Kenya could emulate Brazil’s strategy of integrating pension-linked credit systems, which allow workers to borrow against future retirement savings, or the UK’s auto-enrollment policy, which boosted pension participation from 55% to 88% between 2012 and 2022. Tax incentives, like those in Singapore’s Central Provident Fund (CPF), which offers up to 37% tax relief on contributions, could also spur voluntary savings.</p>	<p>Embedding financial literacy in school curriculum</p> <p>Adopt incentives which support the development of the retirement benefits sector</p> <p>Frameworks that cover short-term contract workers</p>

ISSUE	IMPACT	RECOMMENDATIONS
<p>The Sector remains fragmented with various stakeholders not working together through a common policy framework (FMA , APTAK, NSSF, ARBS, PSSS.....)</p>	<ul style="list-style-type: none"> • Provide a shared platform of industry sector players to articulate industry concerns for government interventions • Harmonization of data collection in the pension sector with a view of enhancing both strategic insight and foresight of the sector development 	<p>A legal framework for the establishment of a National Pension Council just like the Kenya Bankers Association or AKI to work jointly with the RBA to drive policy reforms</p>
<p>Sustainable Industry Human Capital Development</p>	<p>With industry assets valued at Kes. 2 trillion, we recommend establishing a School of Social Security to develop a pre-approved curriculum for human capital development that serves the industry.</p>	<p>The establishment of the Kenya School of Social Security just like the College of Insurance or Kenya School of Monetary Studies</p>

ISSUE	IMPACT	RECOMMENDATIONS
Segregation of operational functions of guaranteed Schemes	The Assets should be held by a custodian, with the administration function being done by a Third Party Administrator (TPA) while the insurance companies handle the investments to mitigate systemic risks and potential conflict of interest	Legislative amendment to provide for this
Increase of term of office	<ul style="list-style-type: none"> • Improved Acclimatization – Allow Trustees more time to understand complex Pension fund management • Strategic Alignment – Aligns Trustees terms with Pension Schemes Strategic Planning Cycles • Strengthen Governance – Promotes continuity and stability in decision Making Processes 	Two consecutive terms of three years each—be revised to a single term of five years, renewable once.

