



# **ROLE OF DATA IN DRIVING FINANCIAL INCLUSION FOR PENSION SECTOR**

**FINANCIAL INCLUSION STATISTICS CONFERENCE  
KSMS**

**Ben Kipanga**

**9<sup>TH</sup> OCTOBER 2022**



# AGENDA

- ❖ **RBA MANDATE**
- ❖ **STRUCTURE & SECTOR PLAYERS**
- ❖ **PENSION INDUSTRY PERFORMANCE**
- ❖ **2021 FINACCESS KEY FINDINGS -PENSIONS**
- ❖ **USE OF THE FINACCESS DATA IN POLICY MAKING**
- ❖ **KEY ISSUES & CHALLENGES**
- ❖ **CONCLUSION**



# RBA'S MANDATE

## REGULATE & SUPERVISE

Establishment and Management of retirement benefits schemes

## PROTECT

Interests of scheme members and sponsors

## DEVELOP & PROMOTE

The Retirement benefits industry

## ADVISE

The Cabinet Secretary to The National Treasury on national policy relating to the industry

## IMPLEMENT

All government policy relating to the industry

# STRUCTURE OF THE SECTOR

## NATIONAL TREASURY & PLANNING

**RBA**

**RETIREMENT  
BENEFIT SCHEMES**  
Active -1076

Trustees in charge  
of management of  
schemes and  
members as  
beneficiaries

**FUND MANAGERS**  
24

Role to advise  
trustees on  
available  
investment  
vehicles, expected  
risk and return

**CUSTODIANS**  
12

Role to hold  
assets of scheme  
for safe keeping,  
e.g. cash,  
securities, title  
documents of  
schemes; settle  
transactions,  
receive  
contributions

**ADMINISTRATORS**  
29

Administrative  
duties of a scheme  
including keeping  
member records,  
computing and  
paying benefits;  
liaising with  
service providers  
and the regulator



# CURRENT PENSION SYSTEM

Scheme Type	NSSF	Civil Service/ Public Service Superannuation Scheme	Occupational Schemes	Umbrella Schemes	Individual Pension Plans (IPP)
<b>Legal Structure / Establishment</b>	Act of Parliament	Act of Parliament	Established under trust	Trust Deed	Established under trust
<b>Membership</b>	<ul style="list-style-type: none"> <li><b>Mandatory</b> for all employees in the formal Sector</li> <li>Voluntary – Self employed</li> </ul>	<p>Employees in civil service, Teachers &amp; Discipline force</p> <p>Separate scheme for KDF &amp; state officers</p>	<ul style="list-style-type: none"> <li>Formal Sector</li> <li>Employer based schemes</li> <li>Voluntary</li> </ul>	<ul style="list-style-type: none"> <li>Formal sector</li> <li>Voluntary</li> <li>Participating employers</li> </ul>	Open to all individuals on voluntary basis
<b>Funding</b>	Funded	<ul style="list-style-type: none"> <li>Unfunded – Civil service – <b>Budget 20/21 &gt; 119bn</b></li> <li>Funded – PSSS – <b>Est. Contributions &gt; 31bn p.a.</b></li> <li><b>Start - Jan 2021</b></li> <li><b>Contributions &gt; 49.6bn</b></li> </ul>	Funded	Funded	Funded

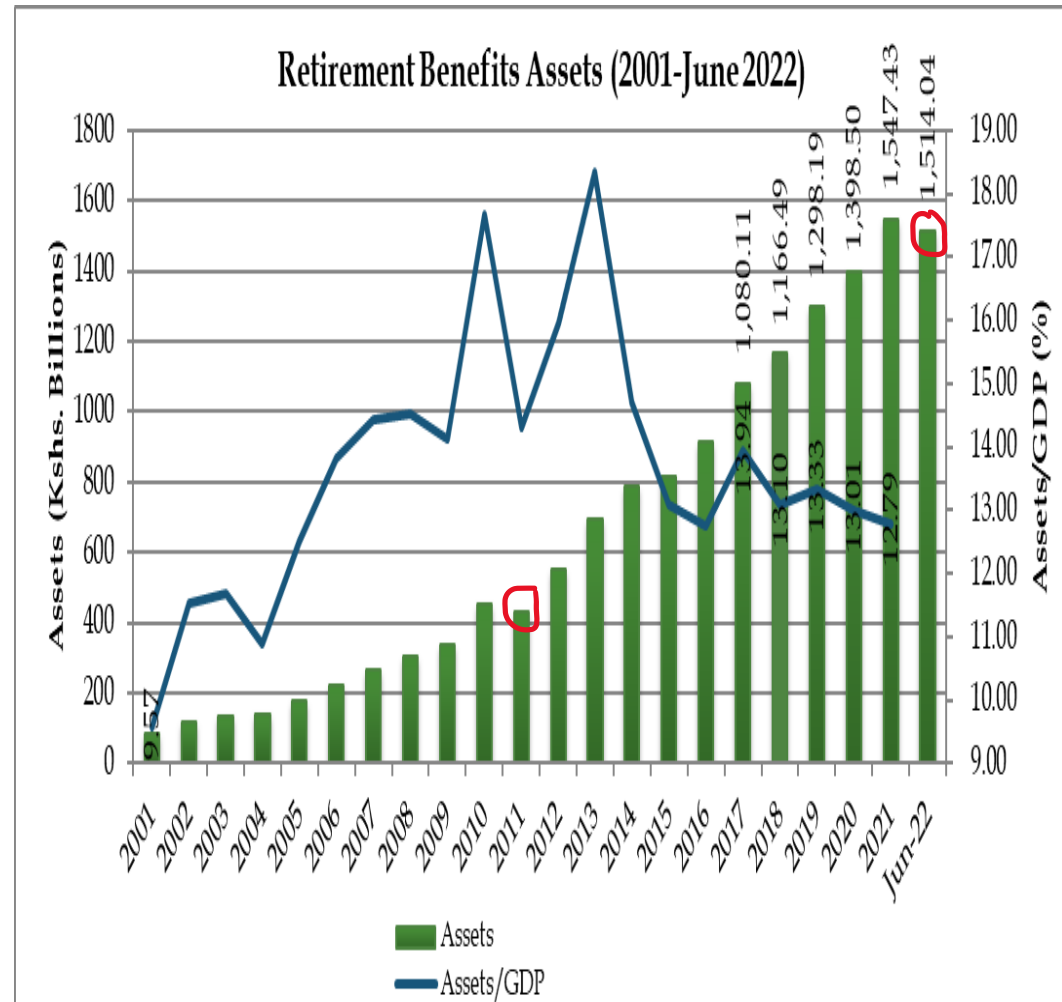


# SCHEME CATEGORIZATION

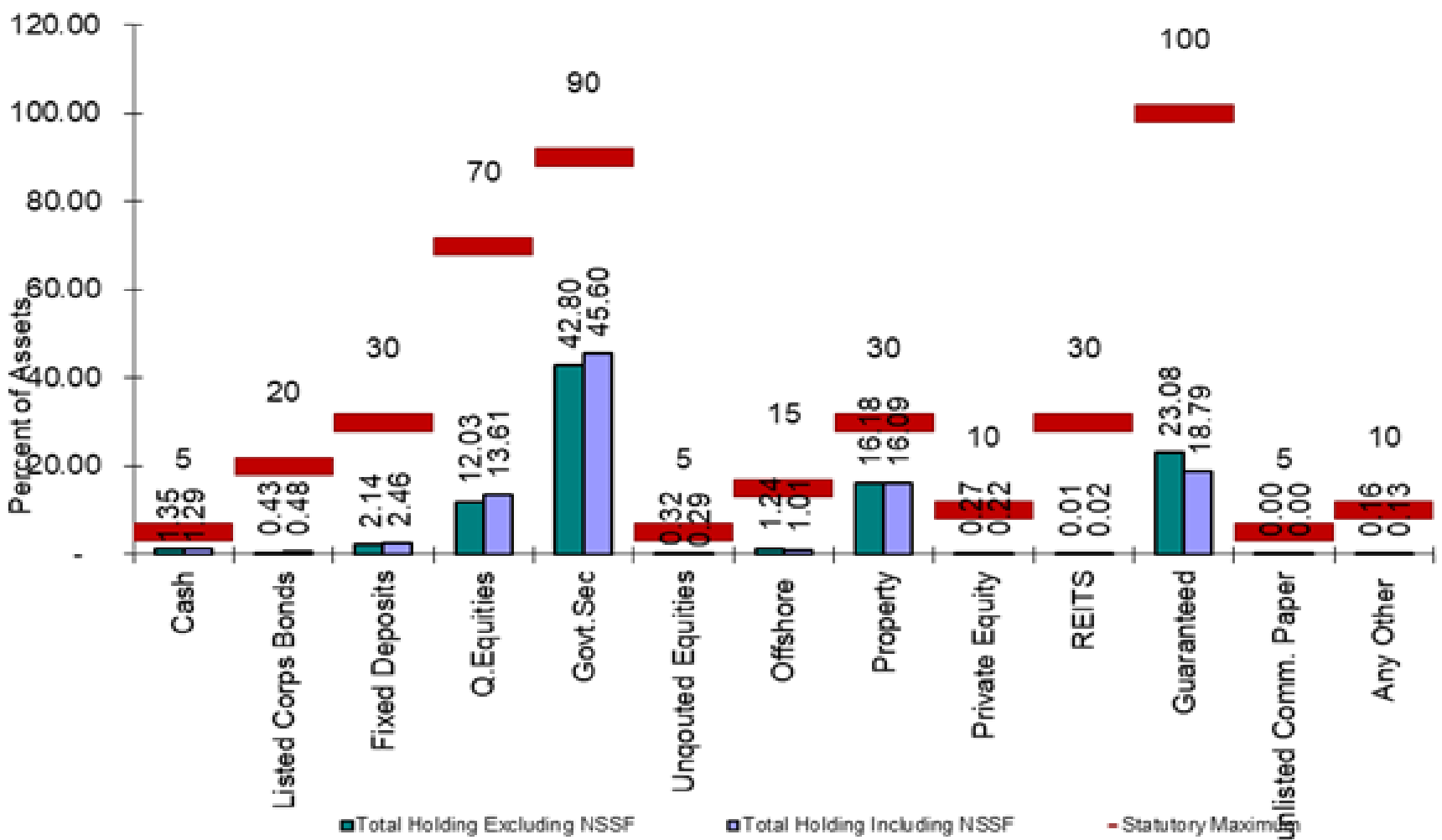
<b>Who establishes?</b>	Sponsor/Founder			
<b>Scheme type</b>	Occupational Scheme	Umbrella Scheme/Fund	Individual /Personal	Income Drawdown
<b>Scheme Design</b>	Defined Benefit	Defined Contribution	Hybrid	
<b>Membership Who can join?</b>	Employer based - Employees	Participating Employer(s) + Employees	Individuals	
<b>Contributions Who contributes?</b>	Employer + Employees	Participating Employer(s)+ Employees	Individuals	
<b>Investment How are the funds invested?</b>	Segregated		Guaranteed	
<b>Payout How are the funds paid out?</b>	Pension /Annuity	Provident	Income Drawdown	
<b>Other Products within the scheme</b>	Post- Retirement Medical Fund		<ul style="list-style-type: none"> <li>• <b>Housing</b> – 40% of accrued benefits but ≤7M</li> <li>• <b>Mortgage</b> – 60% of accrued benefits</li> </ul> <p><b>NB: Mortgage Loan A/Cs – Dec. 2021 – only 26,723 worth Kshs. 245.11 Billion - Bank Supervision Annual Report 2021</b></p>	

# ASSETS UNDER MANAGEMENT

- ❖ The pension assets have increased both in absolute terms and as a ratio of GDP.
- ❖ The Pension assets grew from Kshs. 44.7 billion (USD-417.7 Mn ) in 2000 to Kshs. **1.547 Trillion (USD -13 Bn)** in 2021. The assets dropped in June 2022 to **Kshs. 1.514 Trillion**.
- ❖ As a share of GDP, the ratio improved over the period from a ratio of 9.6percent in 2001 to 18.3 percent in 2013 but went down after rebasing of the GDP to 12.79 percent in 2021.



# INDUSTRY INVESTMENT VS STATUTORY MAXIMUM



## PENSION COVERAGE

- ❖ Pension coverage is still low
- ❖ Majority of the workers are members of NSSF - Kshs. 400 (Kshs. 200 employee +Kshs. 200 employer)
- ❖ Majority of the workers are in the informal sector -83.2%
- ❖ New and Innovative products target the informal sector
  - Haba na Haba -NSSF;
  - Mobikeza - Octagon Financial Services;
  - Gift a Pension - Zamara
  - Kenya National Entrepreneurs Savings Trust (KNEST) - GOK
  - MBA0 Pension plan - Eagle Africa - Assets - 169.8 M; >95,000 members

Scheme Type	Membership
NSSF	2,322,302
Occupational	401,205
Individual Pension Plans (IPP)	249,967
Umbrella Funds	121,068

Central Government	220,700
Teachers	349,900
Labour force -Recorded Employment	18,332,800
Informal Sector -Laborforce	15,261,800

# FINACCESS 2021 KEY FINDINGS – PENSIONS I

FinAccess 2021- Usage of pension products declined.

Majority of the adult population have never used pension products including NSSF – **Female 90.4%**

Figure 3.17: Usage of insurance, pension and investment provider (%)

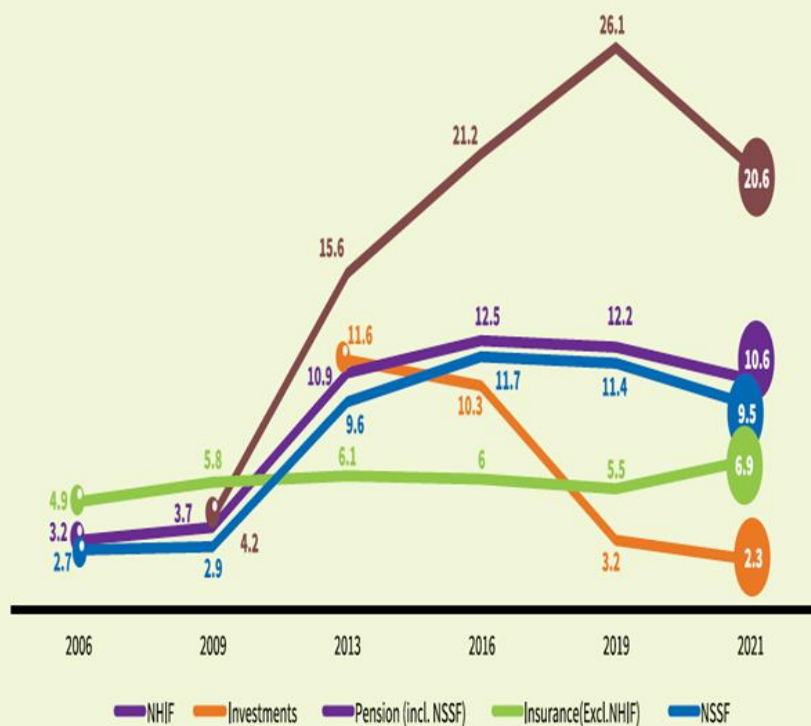
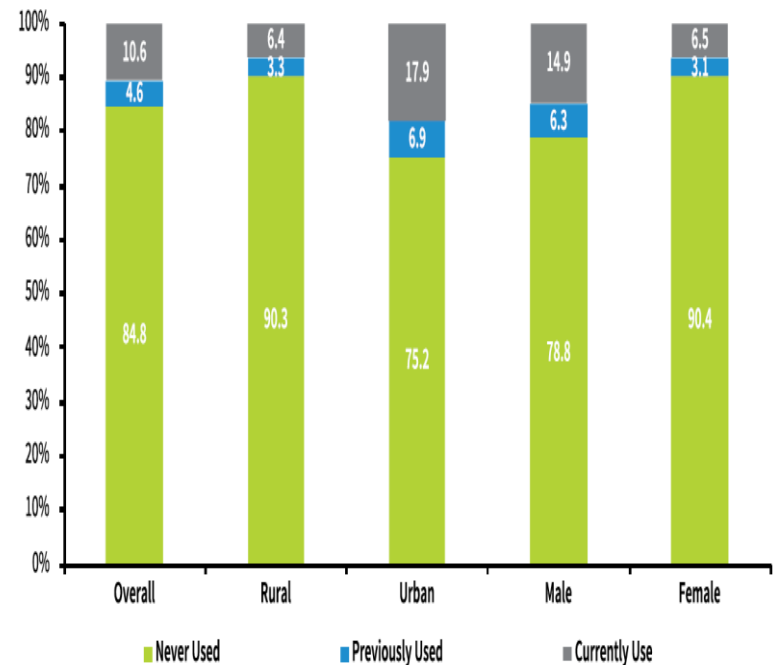
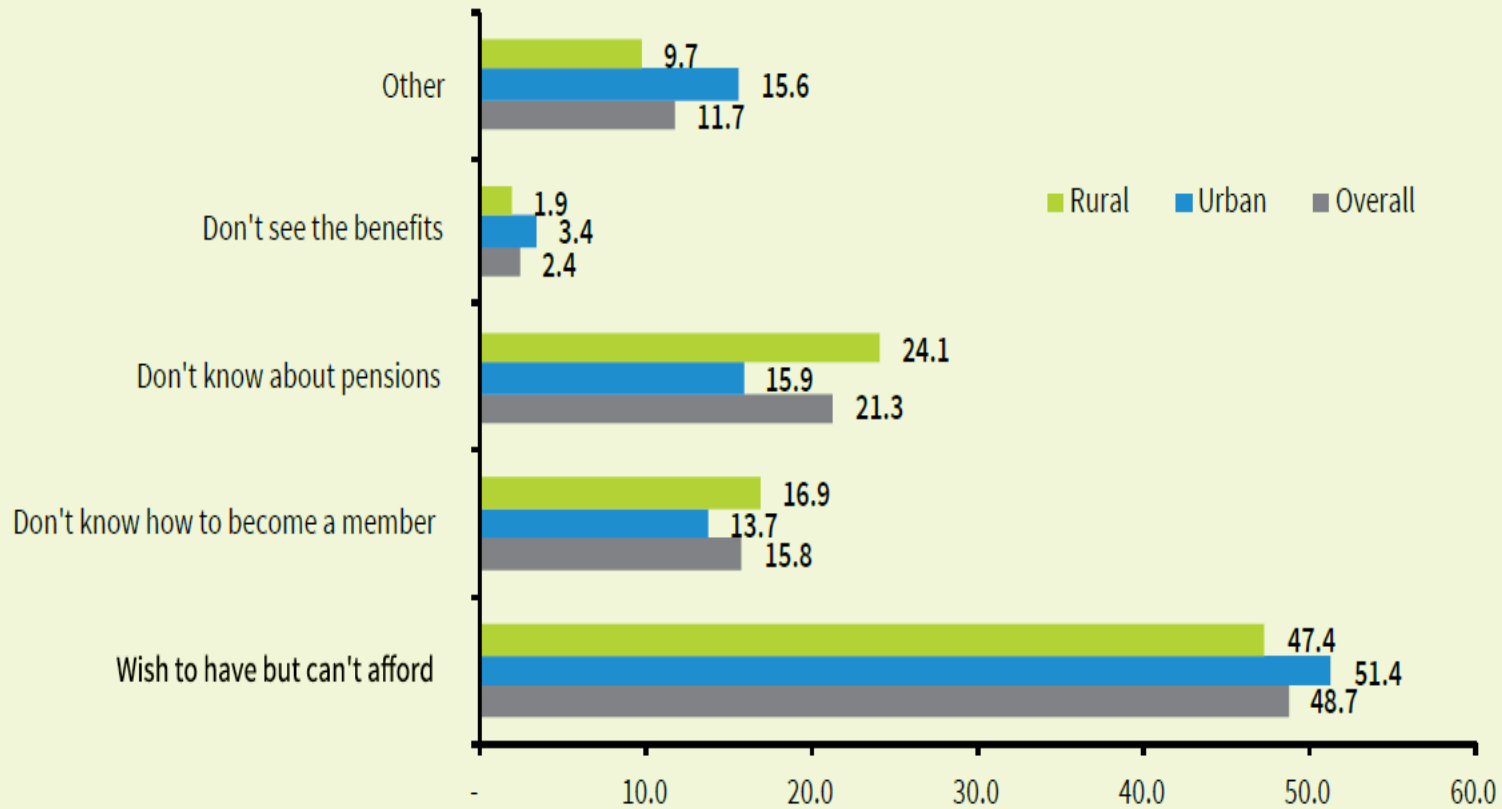


Figure 3.23: Pension schemes usage by demographics (%)



# FINACCESS 2021 KEY FINDINGS – PENSIONS II

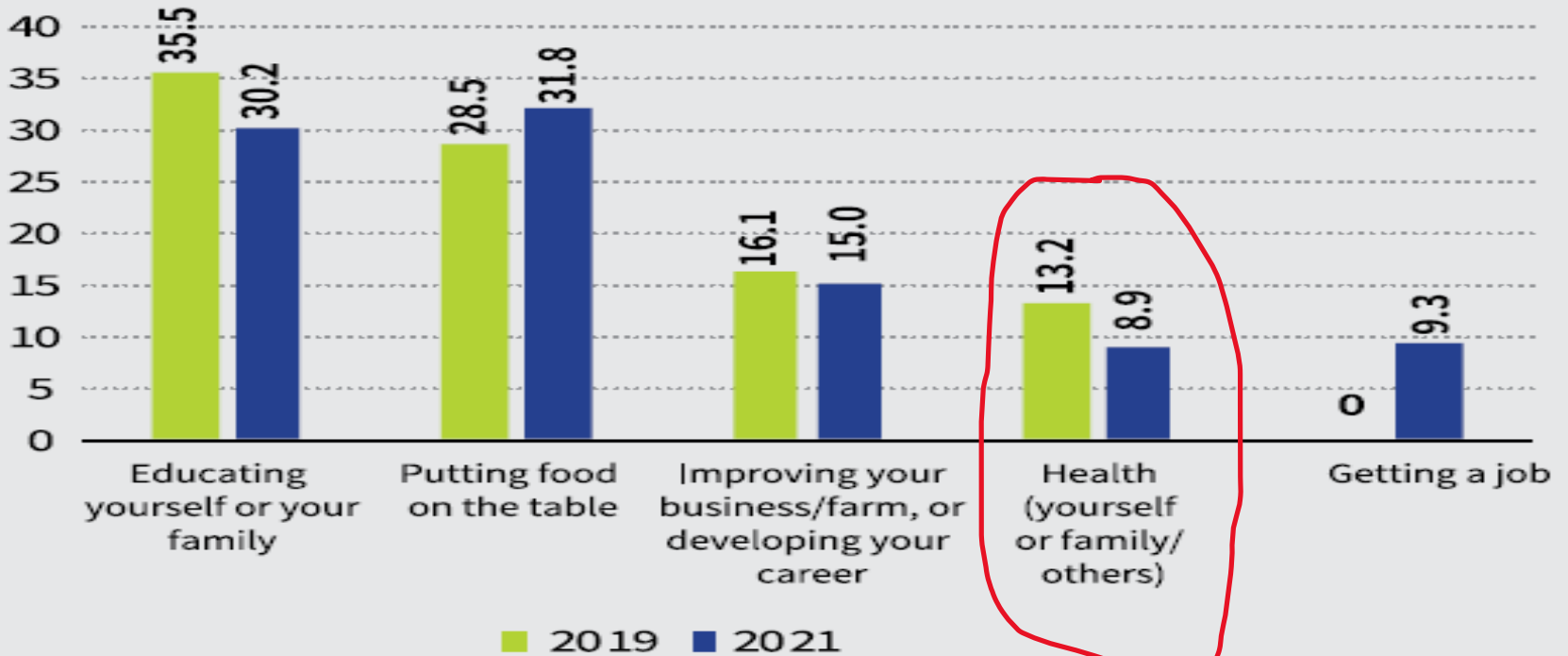
**Figure 3.24: Main reasons for non-membership in a pension scheme (%)**



# MAIN LIFE PRIORITIES -FINACCESS 2021

**Figure 5.1: Top priority in life (%)**

*(a): Main life priorities*

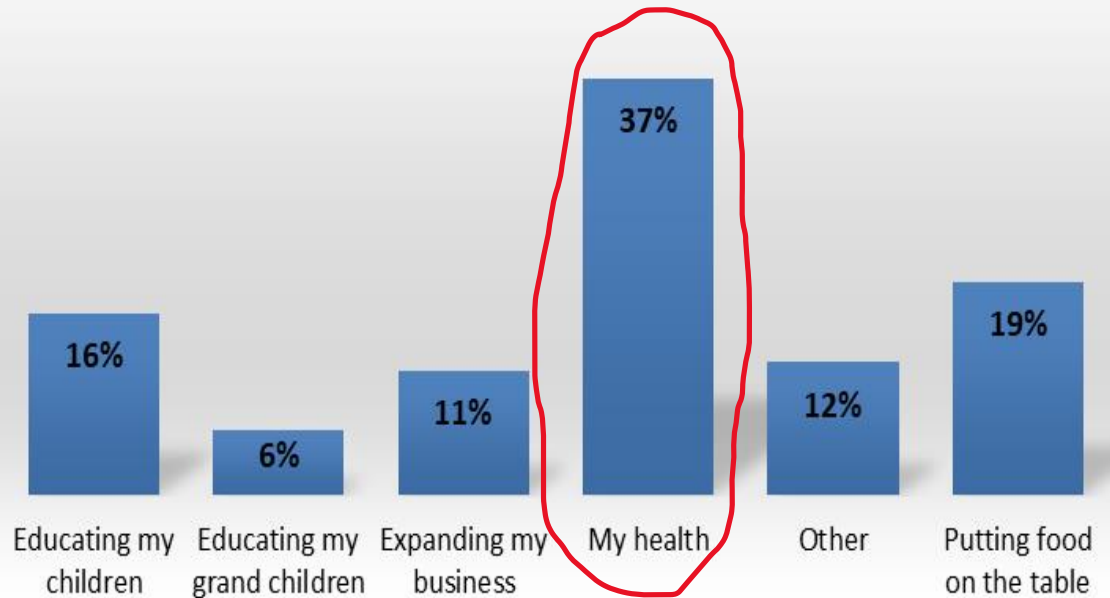


## RBA PENSIONER SURVEY 2021 – MOST IMPORTANT THING



IT IS  
HEALTH THAT  
IS REAL  
WEALTH  
AND NOT PIECES  
OF GOLD  
OR SILVER.  
- MAHATMA GANDHI

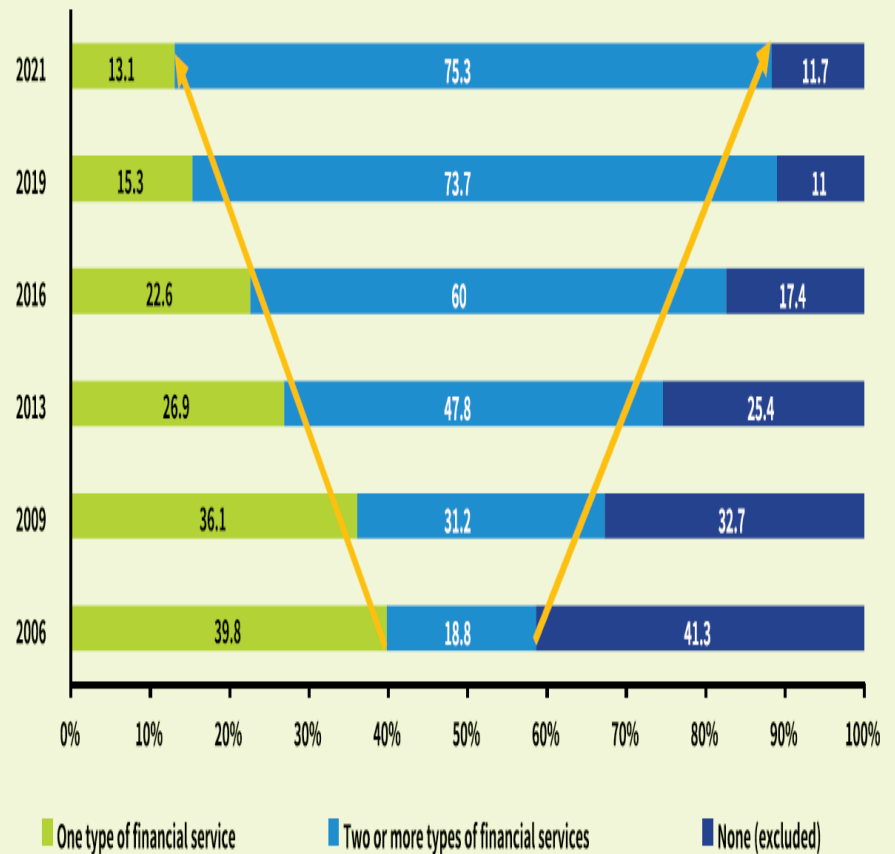
What is the most important thing in your life?



## USE OF FINACCESS DATA IN THE PENSION SECTOR

- ❖ For the pension sector, the chapter on Usage of Financial Services and Products has been key in informing policy recommendation and formulation
- ❖ The use of a combination of financial products by the population is key in the *formulation of responsive pension products to cover the uncovered population mainly in the informal sector.*
- ❖ **FinAccess 2021** – 75.3% of the respondents use two or more types of financial services and products simultaneously
- ❖ **Bundled products (Pension, Insurance & Credit)**

Figure 3.8: Usage by combination of financial services





## OTHER KEY ISSUES /CHALLENGES

- ❖ **Millions of Kenyans cannot afford to retire**, and majority who have retired depend on others - **High Dependency Ratio**
- ❖ **Labor market skewed to informal employment - 83%**
- ❖ **Investment Risks & Shocks - *Shallow & Volatile market***
- ❖ **Inadequacy of benefits: *Low contributions***, short contribution periods and leakages due to early withdrawals - ***Low Income Replacement Rates***
- ❖ **Funding deficits/Unremitted contributions/Liquidity Challenges**
- ❖ **Longevity Risk**, life expectancy after retirement rising & run the danger of outliving their retirement savings - ***Kenyans living longer than they used to 20 yrs ago.***
- ❖ **Consumer protection and data protection** - issues of digitalization/cyber security/Artificial Intelligence/***Access to Information Act & Data protection Act.***
- ❖ **Risk Management** - How to we respond to shocks/changes - **Reactive vs. pro-active?** How do we respond to issues of **Volatility, Uncertainty Complexity and Ambiguity??**
- ❖ **Climate Change/Sustainable Investments** - ESG/Green Financing & Fund Managers Fiduciary duty?
- ❖ **Casualization & contractual labour??**

## WAY FORWARD

- ❖ **Auto-enrolment Vs. Matching Contributions**
- ❖ **Bundled products –(*Pensions, Insurance & Credit*)**
- ❖ **Use of Technology for financial inclusion**
- ❖ **Consumer protection & Data Protection:** technology risks & cyber security risks
- ❖ **Long Term Investments products** –Infrastructure funding – Need for innovative products tailor made to suit the pension sector (*Returns vs. Risks vs. Liquidity*)
- ❖ **Disaggregated Data** – *Gender/age/Region etc.*
- ❖ **Awareness Creation** – *Retirement Planning, Huduma Clinics, Research Findings Dissemination forums, Employer & General public sensitization – TV & Radio Talk shows*



# Thank you

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Whistle blower portal (*http://portal.rba.go.ke/whistleblower/*)

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