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Retirement Benefits Authority
Safeguarding your retirement benefits

Pension Sub-Sector Report

"Lessons from FinAccess Surveys"

November 2025

ACCESS | USAGE | QUALITY | IMPACT

Foreword

It is with great pleasure that I present this inaugural FinAccess sub-sector report for the retirement benefits sector in Kenya, a crucial document that examines the intricate link between financial inclusion and the long-term security of our nation's workforce.

Financial inclusion is the cornerstone of economic empowerment, providing individuals and households with access to a full suite of financial services. At its core, this concept is deeply intertwined with the retirement benefits industry. Retirement savings are an integral part of this ecosystem, providing a vital tool for individuals to ensure their financial stability and maintain a dignified quality of life in their later years. The health of one directly influences the other; while access to financial services is essential for saving, pension plans in turn serve as a fundamental safety net, a crucial component of true financial inclusion.

Our country has made remarkable strides in expanding financial access. The 2024 FinAccess survey is a testament to this progress, reporting that formal financial inclusion has soared to 84.8%—a monumental leap from just 26.7% recorded in the baseline survey of 2006. This growth is mirrored in the retirement benefits sector, where a stable environment has fostered confidence and driven significant expansion. We have seen pension coverage increase to 26% of the workforce, with total assets reaching KES 2.3 trillion by the end of 2024, an amount representing approximately 13% of our GDP.

Despite this impressive momentum, significant challenges remain. A lack of awareness and limited financial literacy continue to hinder individuals from making informed decisions about their retirement. Persistent cost and geographic barriers, particularly for low-income and informal sector workers in rural areas, make financial services inaccessible. Furthermore, complex regulatory barriers can inadvertently create obstacles for financial institutions seeking to serve these underserved populations.

This report serves as a call to action. It comprehensively examines the data collected from households across the country during the FinAccess survey. The report also provide critical insights into the evolving pensions landscape in Kenya, highlighting substantial progress in access and usage of pension services over the years.

The insights and recommendations within are designed to spark a renewed conversation and forge a collective strategy to break down existing barriers. By working together, we can ensure that every individual has the opportunity to build a sustainable and dignified retirement, thereby securing a more prosperous future for our nation.

CHARLES MACHIRA

CHIEF EXECUTIVE OFFICER, RBA

Acknowledgment

The Retirement Benefits subsector report is an inaugural report providing a deep dive into the findings highlighted in the top-line report of the seventh edition of the 2024 FinAccess Household Survey. The extraction of the report was a collaborative effort by the key partners in the 2024 FinAccess Household Survey, including the Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS), Financial Sector Deepening Trust (FSD Kenya), and the Retirement Benefits Authority, taking the leading role.

We take this opportunity to sincerely thank the leadership and management of the Retirement Benefits Authority for their support in ensuring the 2024 FinAccess Household Survey was successfully conducted, subsequently making the preparation of this sub-sector report possible. Special gratitude goes to Mr. Charles Machira, the Chief Executive Officer of the Retirement Benefits Authority, for his unwavering support throughout the entire period of the survey and development of the sub-sector report. The overall strategic leadership of the Director of Research, Strategy and Planning at the Retirement Benefits Authority is equally appreciated.

We further appreciate Dr. Isaac Mwangi (CBK), the project lead in the development of the sectoral reports, as well as Prof. Robert Mudida (CBK), Mr. Cappitus Chironga (Deputy Director) (CBK), Dr. Amrik Heyer (FSD Kenya), and Mr. Simon Gaitho (KNBS) for their valuable review of the draft report. Their insights and recommendations enhanced the clarity, accuracy, and overall quality of the final report, ensuring its relevance to industry stakeholders and policymakers. The report has also benefited from KNBS team led by Tabitha Wambui and FSD Kenya led by Geraldine Makunda and CBK graphic designers led by Sylvia Anam, George Kamau and Duncan Mbiu who ensured all the sub-sector reports are aesthetically pleasing.

Finally, special thanks go to the technical team consisting of Mr Leonard Audi, Mr Lucas Sagire, Ms Faustina N. Karuri and Mr Edwin Ngungi, for steering the drafting of the sub-sector report.

Executive Summary

The retirement benefits sector is a cornerstone of Kenya's economic development, mobilizing long-term savings that ensure income security for individuals in retirement. As of December 2024, the country had 1,027 registered schemes managing assets amounting to KSh. 2.23 trillion, which is about 13% of GDP. Pension coverage reached 26% of the labour force, with 7.5 million registered members. A strategic five-year plan by sector stakeholders aims to grow pension assets to KSh. 3.2 trillion and increase coverage to 34% by 2029, with a strong focus on inclusion, particularly for informal sector workers.

The 2024 FinAccess Household Survey was designed to monitor financial inclusion trends and inform policy. The findings of the survey revealed that pension access improved from 15.2% in 2021 to 20.4% in 2024, largely due to the implementation of the NSSF Act, 2023. Active NSSF membership grew from 2.6 million to 3.3 million. However, inactive participation also increased due to economic shocks and job losses. Uptake of new products like Post-Retirement Medical Funds (PRMFs) remains low at 1.0%. Access disparities persist across gender, residence, wealth, and age. Urban, male, wealthier, and middle-aged individuals are more likely to have access to pension/retirement benefits. Geographically, counties with higher incomes and formal employment opportunities recorded the highest access levels, with Nairobi (38.8%), Kiambu (33.3%), Taita Taveta, Bomet, and Kajiado leading. In contrast, Mandera (1.5%) and Wajir had the lowest pension coverage, reflecting limited access to formal jobs. In terms of products, access to the National Social Security Fund (NSSF) grew significantly to 19.8% in 2024 from 14.0% in 2021, while occupational and individual retirement schemes remained marginal at 1.9% and 0.5%, respectively.

Barriers to pension access remain substantial. Lack of employment was cited by 72.8% of respondents, while 31.2% identified lack of information, particularly severe in rural areas. Other obstacles include limited documentation, mistrust of providers, and perceived irrelevance of pensions, especially for informal workers. These findings suggest a need for better communication, more flexible products, and stronger incentives to broaden participation, particularly among underserved populations.

Pension saving remains a low priority for most Kenyans. Only 1.7% of financially included adults identified it as their main savings goal, and just 1.4% of registered businesses contribute pensions on behalf of their employees. This is despite having payroll systems and formal registration, indicating gaps in enforcement of the NSSF Act and limited product suitability for informal income flows. Bridging this gap requires responsive, low-threshold pension solutions. Financial literacy among pension users is moderate to high, with 41.9% demonstrating strong literacy. Active contributors tend to be more financially literate and creditworthy than dormant users or pensioners. Yet many users rely on informal advice networks rather than professional sources. Pensioners face difficulties accessing credit and tend to have fewer financial options, though their default rate (23.2%) is lower than the national average, pointing to pensions as a stabilizing income source.

Pension adequacy among pensioners is a pressing concern. Only 38.9% of contributors believe they are saving enough, and just 32.2% of pensioners say their income meets their needs. This is more acute in urban areas where living costs are higher. Most users report fair treatment, but issues like delayed payments and underreported complaints (only 43.5% filed grievances) show that consumer protection and redress mechanisms require strengthening. Health expenses dominate retiree spending, followed by education and housing. Pensioners frequently face major shocks such as illness or caregiving burdens. Many still rely on informal coping mechanisms, with 49.1% using

informal means for daily needs. While pensions promote formal financial behaviour, the inadequacy of benefits limits their full impact. Enhancing PRMF uptake and adjusting replacement rates can improve retirees' resilience.

Retirement income is the main livelihood for 58.7% of pensioners, while agriculture supplements many others. Pensioners generally fare better in financial health (49%) than the national average but worse than active contributors (59%), showing a decline post-retirement. Pensions reduce food vulnerability, but 24.9% of pensioners still face moderate food insecurity. Dormancy due to job loss further threatens long-term well-being.

On the intersection between pension access and engagement in climate-friendly initiatives, the results reveal that pension users are more likely to adopt climate-smart investments like solar energy, tree planting, and biogas systems. This highlights the potential for pension access to support sustainable practices. However, persons with disabilities are significantly excluded, with only 14.5% having any access to any pension product, and just 4.4% contributing actively. Despite this, a slightly higher proportion receive pensions (2.7%) than the general population (0.7%), likely due to government programs. This calls for deliberate inclusion of persons with disabilities in pension strategies.

The 2024 FinAccess Household Survey provides critical insights into the evolving pensions landscape in Kenya, highlighting substantial progress in access and usage of pension services over the years. Building on these findings, this report recommends expanding pension access through targeted financial literacy and tailored products for informal workers. Compliance with the NSSF Act should be enforced more rigorously, and preservation policies should be adopted to prevent early withdrawals and enhance retirement adequacy. Improving complaint resolution processes, strengthening fraud prevention, and developing inclusive pension strategies for persons with disabilities are essential. These measures will foster a more inclusive, adequate, and resilient pension system in Kenya, aligned with national development and social protection goals.

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INTRODUCTION

1.1. Background

The retirement benefits sector is critical in stimulating economic growth and development by mobilizing long-term savings. These savings, attributed to individual beneficiaries, are intended to ensure a continued standard of living during retirement comparable to their working years. Consequently, the primary objective of retirement savings is to facilitate consumption smoothing. This is achieved by providing individuals with a predictable and stable income stream, thereby mitigating the financial uncertainties associated with aging.

In Kenya, the retirement benefits sector comprises retirement benefits schemes established by written law or trusts and managed by trustees who are the legal owners of the schemes. Trustees, either natural persons or corporate trustees, are fiduciaries obligated to manage the retirement benefit funds in the best interest of members who are the ultimate beneficial owners of the funds. The sector also has licensed service providers, including 31 administrators, 35 fund managers, 16 custodial banks, and 8 corporate trustees.

Retirement benefits schemes are designed as defined benefits (DB), defined contribution (DC), or a hybrid of the two. Defined benefits (DB) schemes are arrangements where benefits, which are ordinarily determined by the scheme rules, are defined in advance by certain factors, including final salary, years of service, and an accrual factor determined by an actuary. Defined contribution (DC) schemes, on the other hand, are arrangements where contribution rates by both an employee and/or employer are defined at a fixed percentage or as a shilling amount. Therefore, the accrued benefits in a DC scheme comprise contributions, investment less expenses. DC schemes are the majority, constituting 91% of the registered retirement benefits schemes, whereas DB schemes are at 9%. Aside from the classification by design, schemes are also classified either by type (mandatory, occupational, individual, or umbrella schemes), fund type (provident or pension fund), and the nature of investment of scheme funds (guaranteed or segregated).

1.1.1. Structure of the Retirement Benefits Sector in Kenya

The sector is regulated by the Retirement Benefits Authority (RBA), save for the civil servants' DB pension scheme that is administered by the Pensions Department of the National Treasury. This scheme is mainly for civil service servants, teachers, and the police. The scheme is currently closed and not able to admit new members after the government established a DC scheme known as the Public Service Superannuation Scheme (PSSS) that became operational in 2021.

1.1.2. Performance of the Retirement Benefits Sector in Kenya

Over the years, the retirement benefits sector has witnessed growth, as illustrated by most of the key indicators as of December 2024. The sector had 1027 registered retirement benefits schemes consisting of 935 occupational schemes established by employers for their employees, 48 individual pension schemes established by independent entities for individual retirement savings, 44 umbrella schemes, and the statutory National Social Security Fund (NSSF).

The sector has equally recorded impressive growth in assets under management from Kshs. 40 billion in 2001 (about 4% of GDP) to a current figure of Kshs. 2.23 trillion (about 13% of GDP). Equally, pension coverage has grown over the years to reach about 26% of the total labour force. The total membership stands at 7.5 million, with active members being 3.7 million. These funds are primarily invested in the economy in various investment instruments, including government securities, quoted equities, immovable property, and guaranteed funds, among others. Building on the impressive growth witnessed over the last two decades, the sector is envisioned to grow further to reach an asset base of Kshs. 3.2 trillion and a pension coverage of 34% by 2029. This ambitious target is contained in a 5-year strategy for the sector that is cantered on innovation to spur retirement savings among informal sector workers.

1.2. Survey Objectives

The main objective of FinAccess Surveys is to monitor developments and progress achieved in financial inclusion, for policy makers and industry players to gain a better understanding of the inclusivity and overall dynamics of Kenya's financial inclusion landscape. Specifically, the survey aims to:

a. Track trends and progress on financial inclusion.

b. Provide information on barriers to financial inclusion.

c. Provide information on market conditions and opportunities.

d. Provide data for academic research on financial inclusion.

1.3. Survey Design and Methodology

1.3.1. Survey Design

The 2024 FinAccess was a cross-sectional Survey that targeted individuals aged 16 years and above residing in conventional households in Kenya. Data analysis, however, was conducted on individuals aged 18 years and above, as national identity cards, which is a key requirement to access formal financial services, is only issued to this age group.

1.3.2. Sample size and distribution

The Survey sample was designed to provide estimates at national as well as rural and urban areas, and across all the forty-seven (47) counties. The minimum sample size for the survey was computed for each of the Survey domains, resulting in a total sample size of 28,275 households and 1,885 Enumeration Areas (EAs).

1.3.3. Sample Frame, Selection of Households and Weighting

The sample was drawn from the Kenya Household Master Sample Frame (K-HMSF), which was developed based on the 2019 Kenya Population and Housing Census. The K-HMSF comprises of 10,000 clusters selected using Probability Proportional to Size (PPS) methodology from approximately 128,000 Enumeration Areas (EAs) created during the cartographic mapping of the 2019 Population and Housing Census. The sampling frame is stratified into 92 sampling strata, including urban and rural strata in 45 counties, while Nairobi and Mombasa Counties are entirely urban.

The survey targeted one eligible individual per selected household. Interviewer listed all the usual members of the sampled households, and one individual aged 16 years or older was randomly selected using Kish Grid. The Kish Grid random number table was integrated into Survey solutions CAPI software, ensuring that respondent selection was automatic, with no manual intervention by the enumerator. The Survey data was not self-weighting due to non-proportional allocation of the sample to the sampling strata. The resulting data was, therefore, weighed and adjusted for non-response to ensure the data was representative at the national and county level. For more information kindly refer to the 2024 FinAccess headline report (https://finaccess.knbs.or.ke/reports-and-datasets).

1.3.4. Selection of Sampling Units

Regarding the survey response rates, a total of 28,275 households were selected for the Survey. Of these, 24,684 households were found to be eligible for interviews during data collection, and 20,871 households were successfully interviewed, resulting in an overall household response rate of 84.6 percent. The response rate for rural households was 87.6 percent, compared to 79.4 percent for urban households.

Table 1.1: The 2024 FinAccess Response Rate

RESULTS	RESIDENCE		TOTAL
	RURAL	URBAN	
Households Selected	17,355	10,920	28,275
Eligible Households	15,464	9,220	24,684
Households Inter-viewed	13,549	7,322	20,871
Response Rate %	87.6	79.4	84.6

Notably, a total of 20 Enumeration Areas (EAs) selected for the survey could not be covered due to various factors, including insecurity and the movement of the entire population in nomadic areas.

The survey demographics were designed to achieve a statistically valid and reliable nationally representative sample of individuals aged 16 years and above. Of the respondents, 92.1 percent were aged 18 years and above, while 7.9 percent were aged 16 to 17 years. Female respondents accounted for 51.5 percent of the sample, while male respondents made up 48.5 percent. In terms of residence, 59.3 percent of the respondents were from rural areas, while 40.7 percent of the respondents were urban dwellers. The wealth quintile distribution revealed that the majority of the urban population fell within the highest and second-highest wealth quintiles, while a significant portion of the rural population was in the lowest quintile.

The survey also collected data on Persons with Disabilities (PWDs), identifying individuals who faced difficulties in areas such as seeing, hearing, walking, concentrating, self-care, and communication. A total of 935 individuals reported having a disability.

Chapter 2

ACCESS TO PENSION/ RETIREMENT BENEFITS

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ACCESS TO PENSION/ RETIREMENT BENEFITS

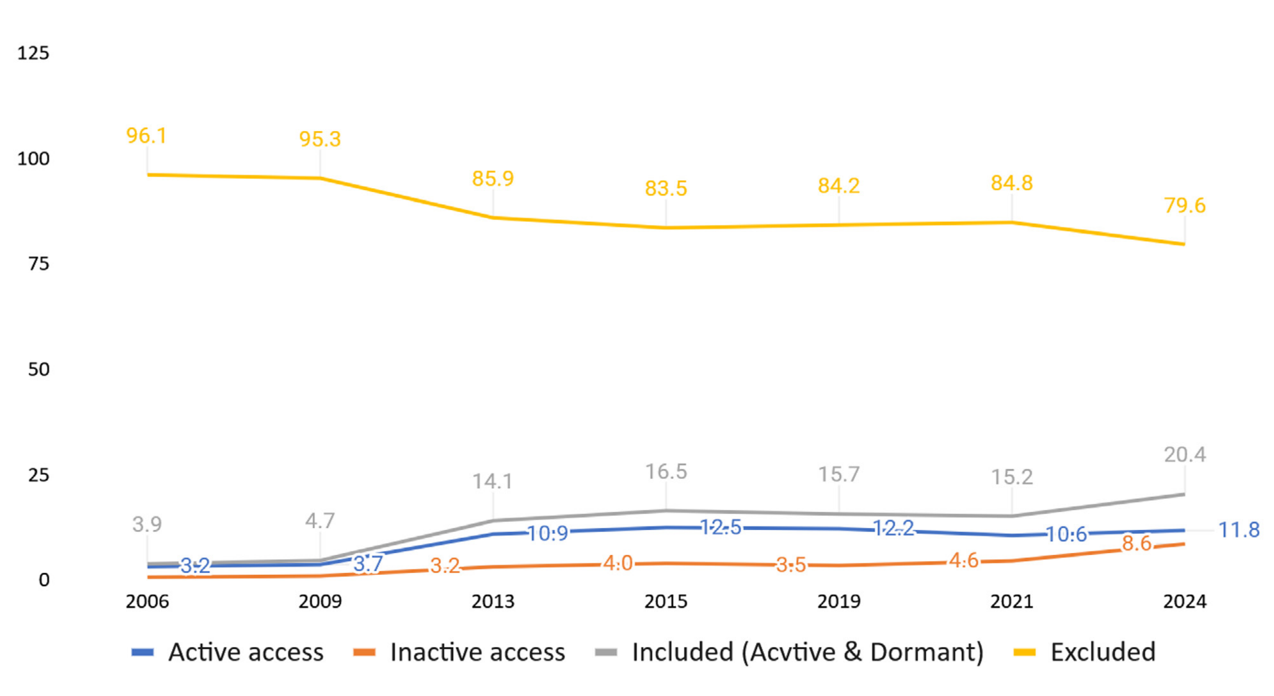
This chapter highlights the key findings on the access dimension of pension/retirement benefits. This is comparable to pension coverage which measures the total number of members, both active and inactive, across various types of retirement benefits schemes including Occupational, Umbrella and Individual retirement benefits schemes registered by RBA, NSSF, as well as the defined benefits scheme for civil servants and the scheme for the military. The access to pension/ retirement benefits was analysed across various providers/schemes and demographic characteristics such as age, sex, education, residence, and key socio-economic indicators like livelihoods and wealth quintiles.

2.1. Overall Access to Pension/Retirement Benefits Services

The overall access, both active and inactive, increased to 20.4 percent in 2024 from 15.2 percent in 2021. The total population actively accessing pension/retirement benefits services increased marginally to 11.8 percent in 2024 from 10.6 percent in 2021. The marginal increase in access was mainly driven by increased enrolment in NSSF due to the implementation of the NSSF Act, 2023, which saw an increase in active membership from 2.6 million in 2021 to 3.3 million members 2024, after the court lifted the injunction orders that existed since the enactment of the Act in 2013.

The proportion of the adult population that are not actively accessing pension products reduced slightly from 89.4 percent in 2021 to 78.2 percent in 2024.

Figure 2.1: Overall Access to Pension/Retirement Benefits Services

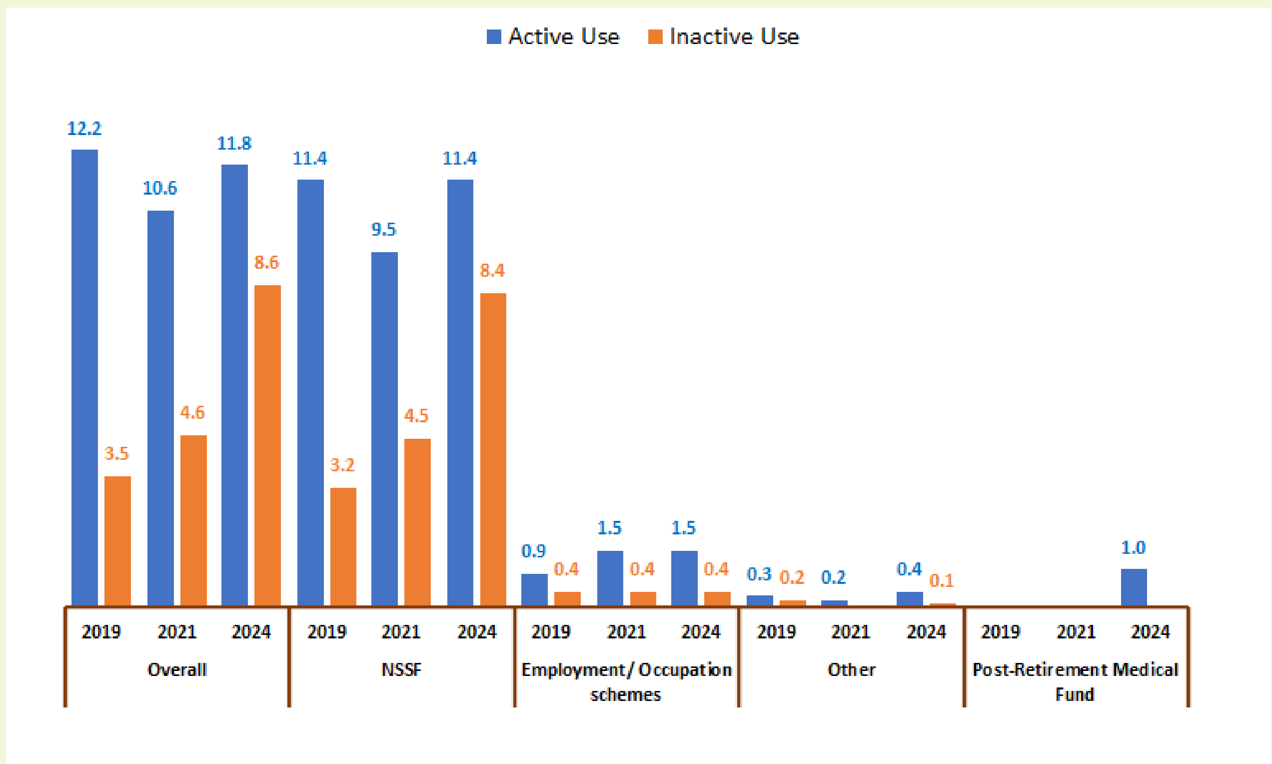


The total population of inactive access to pension/retirement benefits almost doubled over the same period to 8.6 percent in 2024 from 4.6 percent in 2021. NSSF recorded the highest increase in inactive access by 8.4 percent in 2024 from 4.5 percent in 2021.

The increase in inactive access is attributable to loss of jobs and the general reduction in disposable income caused by the economic shocks witnessed in 2019 through to 2024, including the aftermath of disruption from the COVID pandemic, political instabilities in Russia, Ukraine, and the Middle East.

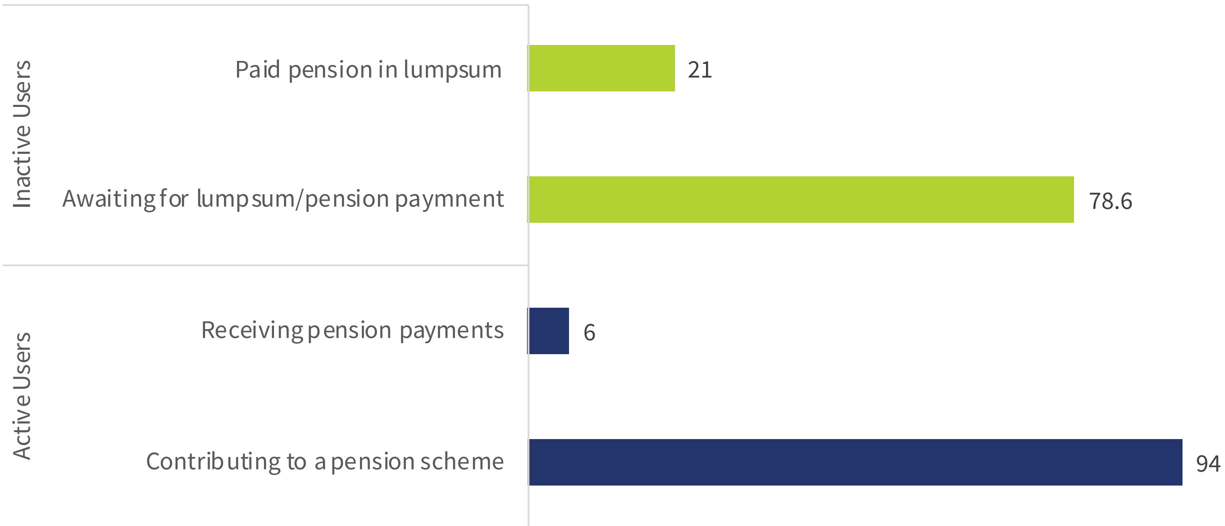
The survey findings also indicated a 1.0 percent access to Post-Retirement Medical Funds (PRMF) in 2024. The product was introduced in 2018 to allow workers to save for their medical cover expenses in retirement during their active working life.

Figure 2.2: Active vs Inactive Access to Pension/Retirement Benefits Services



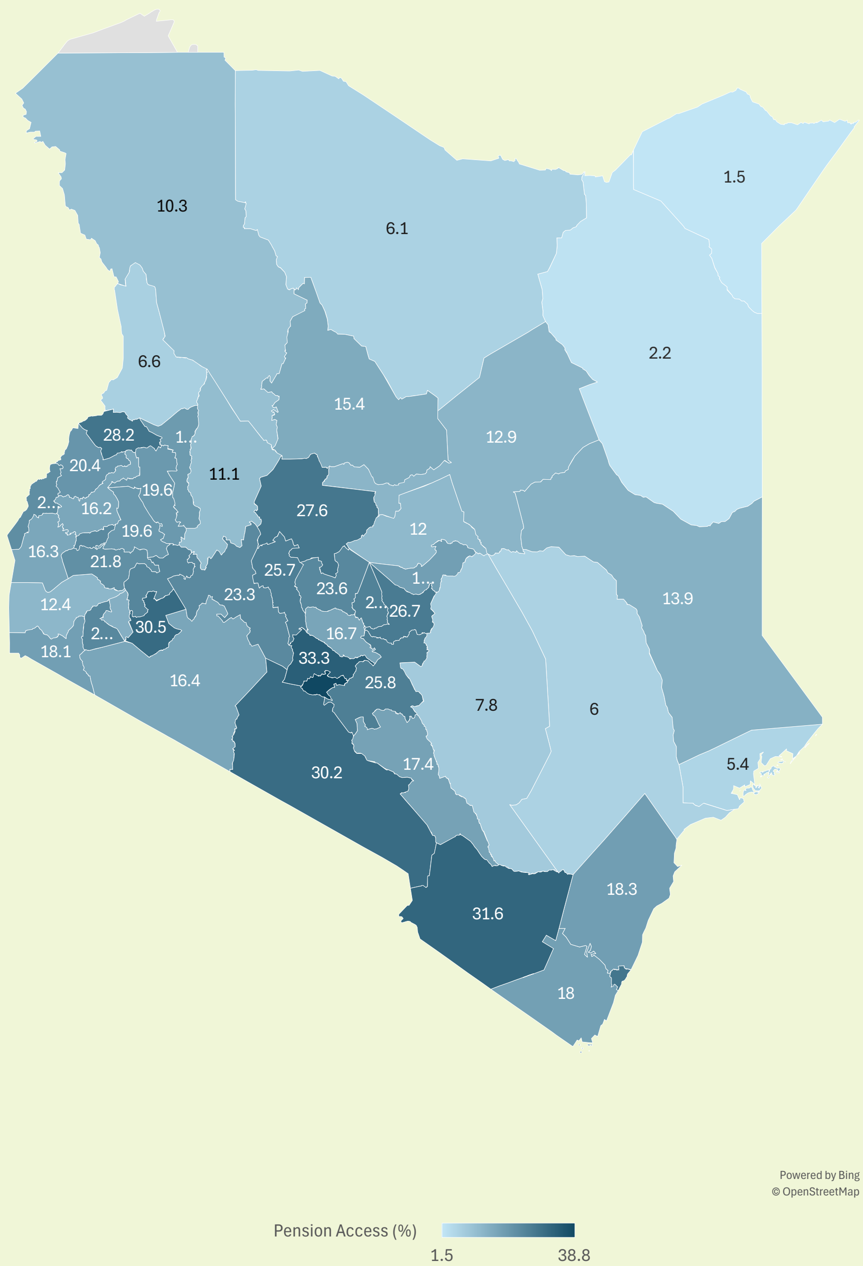
Of the adult population that had active access to pension products, 94.0 percent mainly made contributions to retirement benefits schemes whereas the rest were receiving pension payments after retirement. On the other hand, most of the inactive users of pension products were retirees (21.0 percent) who had already received their retirement benefits in lump sum or were awaiting to be paid their benefits after retirement (78.6 percent).

Figure 2.3: Methods of Accessing Pension/Retirement Benefits Services by Active and Inactive Users



Access to pension/retirement benefits products and services verified across the 47 counties as illustrated in Figure 2.4. Access was highest in Nairobi, Kiambu, Taita Taveta, Bomet and Kajiado counties, all recording access above 30.0 percent. Conversely, access to pension/retirement benefits services was lowest in Mandera and Wajir counties with access at less than 5.0 percent.

Figure 2.4: Overall Access to Retirement Benefits Schemes by County



County	Pension Access (%)
Mandera	1.5
Wajir	2.2
Lamu	5.4
Tana River	6
Marsabit	6.1
West Pokot	6.6
Kitui	7.8
Turkana	10.3
Baringo	11.1
Meru	12
Homabay	12.4
Isiolo	12.9
Garissa	13.9
Nyamira	14.2
Samburu	15.4
Kakamega	16.2
Siaya	16.3
Narok	16.4
Murang'a	16.7
Makueni	17.4
Kwale	18
Tharaka Nithi	18.1
Migori	18.1
Kilifi	18.3
Elgeyo Marakwet	19.2
Uasin Gishu	19.6
Nandi	19.6
Bungoma	20.4
Kisumu	21.8
Busia	22.2
Vihiga	23.1
Nakuru	23.3
Nyeri	23.6
Kisii	23.7
Kericho	24.1
Kirinyaga	25.1
Nyandarua	25.7
Machakos	25.8
Embu	26.7
Laikipia	27.6
Mombasa	28
Trans Nzoia	28.2
Kajiado	30.2
Bomet	30.5
Taita Taveta	31.6
Kiambu	33.3
Nairobi City	38.8

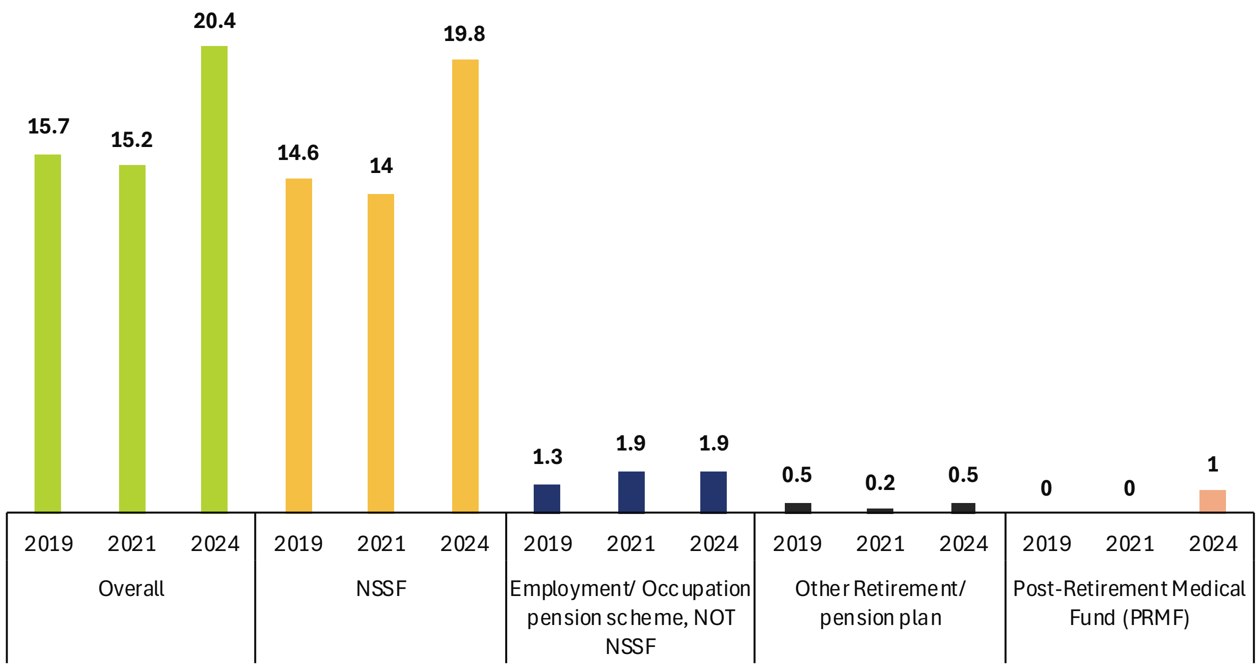
Nairobi County recorded the highest pension access at 38.8%, followed by Kiambu County at 33.3%. This can be largely attributed to higher levels of financial literacy, better access to financial services, and relatively higher income levels among residents in these urbanized counties. Taita Taveta and Bomet Counties also reported relatively high pension access, which may be explained by the presence of key industries. In Bomet, the tea farming industry provides widespread formal employment, while in Taita Taveta, the mining and tourism sectors contribute significantly to formal job opportunities, both of which support greater pension coverage.

On the other end of the spectrum, Mandera County had the lowest pension access at just 1.5%. This is primarily due to high unemployment rates and limited formal employment opportunities, which remain the most critical drivers of pension enrolment.

2.2. Access to Pension/Retirement Benefits Products

Access to NSSF increased to 19.8 percent in 2024 from 14.0 percent in 2021 driven by increased compliance with the NSSF Act of 2013, which mandates that all employers register and make contributions to the scheme on behalf of their employees. In addition, access to occupational schemes other than NSSF and other schemes was recorded at 1.9 percent and 0.5 percent, respectively, as shown in Figure 2.5.

Figure 2.5: Access to Various Retirement Benefits Products



2.3. Access to Pension/Retirement Benefits Services across Demographics

Compared to 2021, pension access has increased, rising from 15.2 percent to 20.4 percent, reflecting a 5.2 percent growth. This expansion was driven by increased access in both rural and urban areas, as well as among both genders. However, disparities persist, with rural areas lagging behind urban areas in pension access. Additionally, female respondents continue to have significantly lower access compared to their male counterparts.

Figure 2.6: Access to Pension/Retirement Benefits Services by Residence and Sex

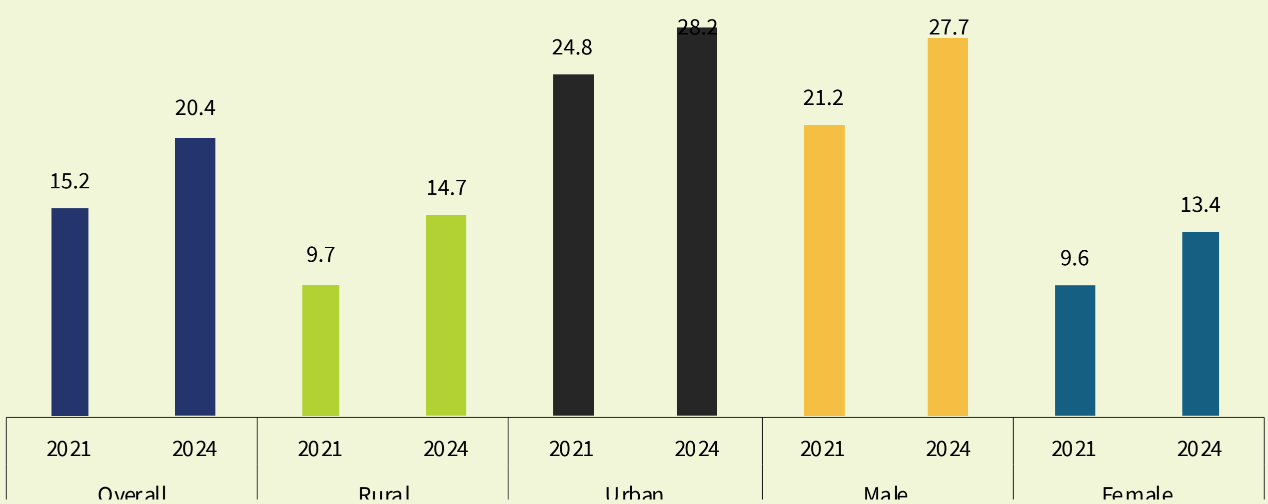
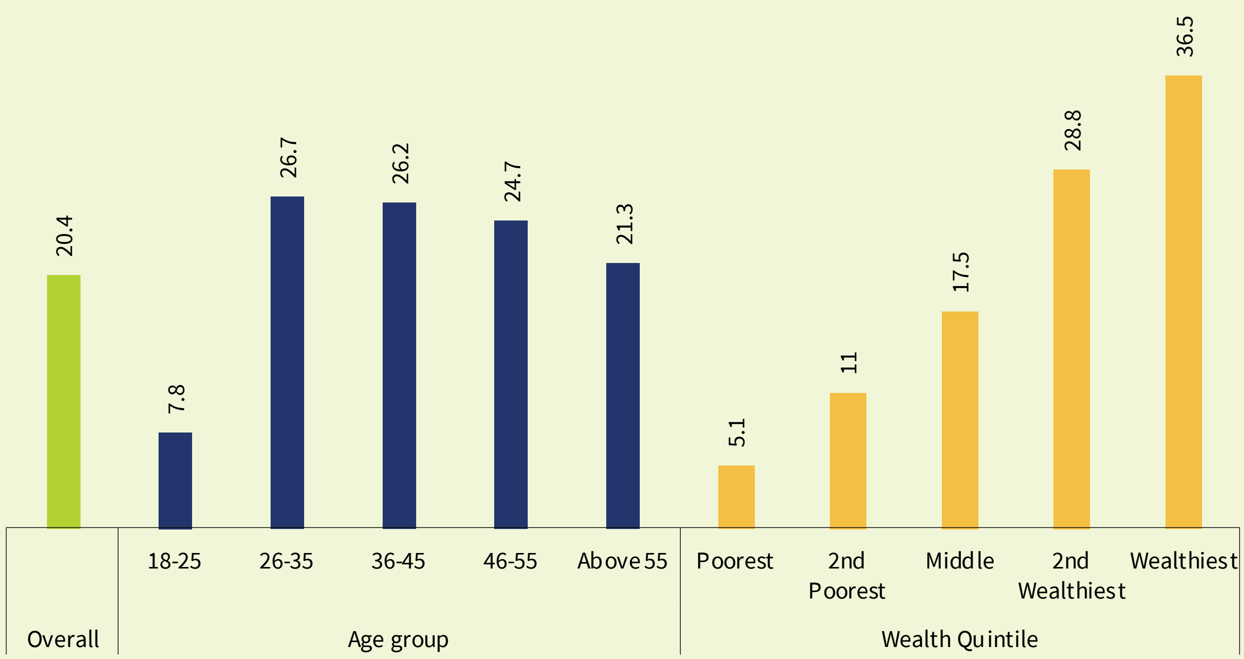


Figure 2.7: Access to Pension/Retirement Benefits Services by Age and wealth quintiles



Access to pension products varied significantly by age and socioeconomic status. The 26–36 age group had the highest access rate at 26.7 percent, while the 18–25 cohort recorded the lowest, likely due to higher unemployment rates among younger entrants. Notably, access tended to decline with age, suggesting that newer labour market participants were more likely to enrol in pension schemes.

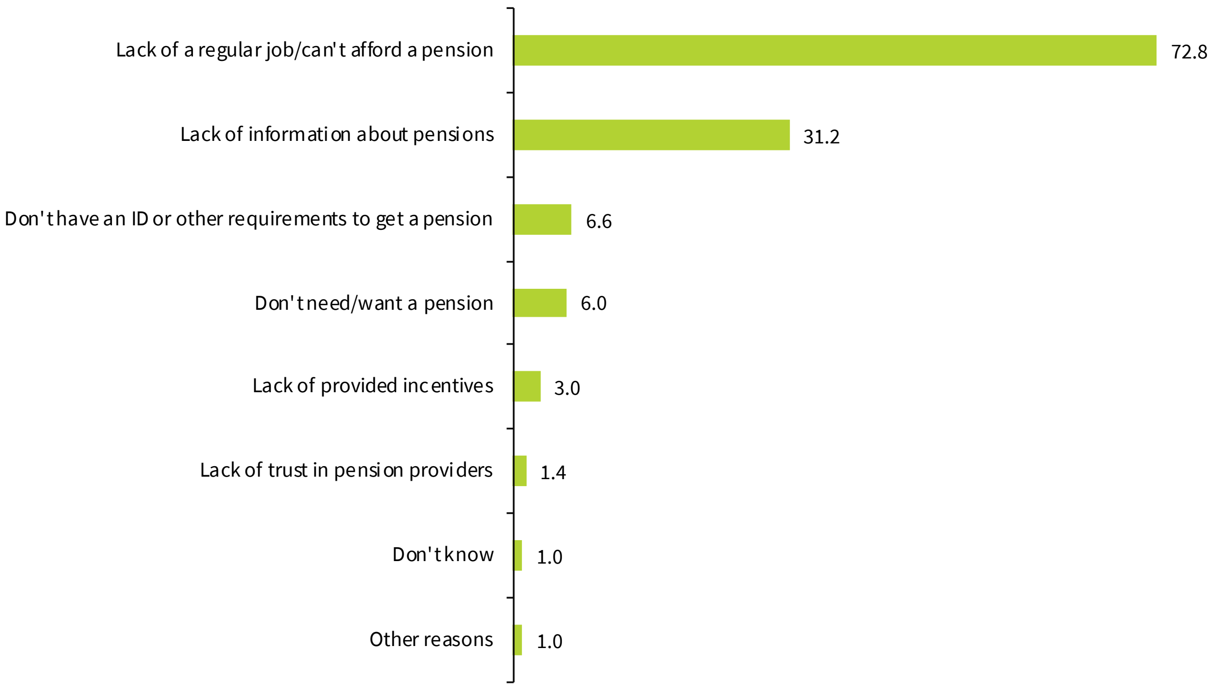
Wealth disparities further shaped access: only 5.1 percent of the poorest individuals had pension coverage, compared to 36.5 percent of the wealthiest, a gap that may reflect affordability barriers for low-income groups.

2.4. Barriers to Access to Pension/ Retirement Benefits Services

When asked about barriers to accessing pension services, 72.8 percent of the respondents cited lack of a job as the main obstacle. Urban dwellers (74.9 percent) were slightly more likely to report this challenge than rural dwellers (71.8 percent). Additionally, 31.2 percent indicated lack of information as a barrier to accessing pension services, with awareness barriers being more prevalent in rural areas (36.1 percent) compared to urban areas (20.9 percent). This highlights the need for targeted awareness campaigns, especially in rural areas, to encourage pension uptake.

Other significant barriers included lack of identification documents (6.6 percent) and a lack of perceived need or interest in pension services (5.5 percent). Additionally, 2.5 percent of the respondents cited the absence of incentives, while 1.4 percent expressed a lack of trust in pension providers.

Figure 2.8: Barriers to Access to Pension/Retirement Benefits Services



Chapter 3

USAGE OF PENSION/ RETIREMENT BENEFIT SERVICES

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USAGE OF PENSION/RETIREMENT BENEFIT SERVICES

This chapter presents key findings from the survey on the usage dimension of pension and retirement benefits. While the access dimension refers to individuals with either active or inactive pension accounts, the usage dimension focuses specifically on those who are currently and actively engaging with pension or retirement benefit products..

3.1. Overall Usage of Pension/Retirement Benefits Services

Pension usage among the adult population increased in 2024 to 11.8 percent from 10.6 percent in 2021. Trend analysis shows significant increase in pension usage from 3.2 percent in 2006 to 11.8 percent in 2024, with NSSF participation also increasing from 2.7 percent to 11.4 percent over the same period. This growth is largely attributed to efforts by pension stakeholders to expand coverage, particularly in the formal sector. However, according to the 2023 economic survey, the informal sector contributed to over 85 percent of all new jobs created in 2023 highlighting a need for strategies that increase uptake of pension products in the informal sector to increase usage.

However, pension usage is yet to recover to its 2015 peak of 12.5 percent. Various economic shocks, including the COVID-19 pandemic, the Russia-Ukraine Crisis, and other disruptions contributed to a decline in usage, which fell to 10.6 percent in 2021. A similar trend was observed in NSSF participation. This is despite a 4.1 percent growth in formal sector wage employment in 2024. This is despite a 4.1% growth in formal sector wage employment in 2024, suggesting that not all new employees are being enrolled in pension schemes. The slower growth in pension uptake compared to formal employment indicates a gap in coverage that may require policy attention.

Figure 3.1: Overall Usage Trend of Pension/Retirement Services

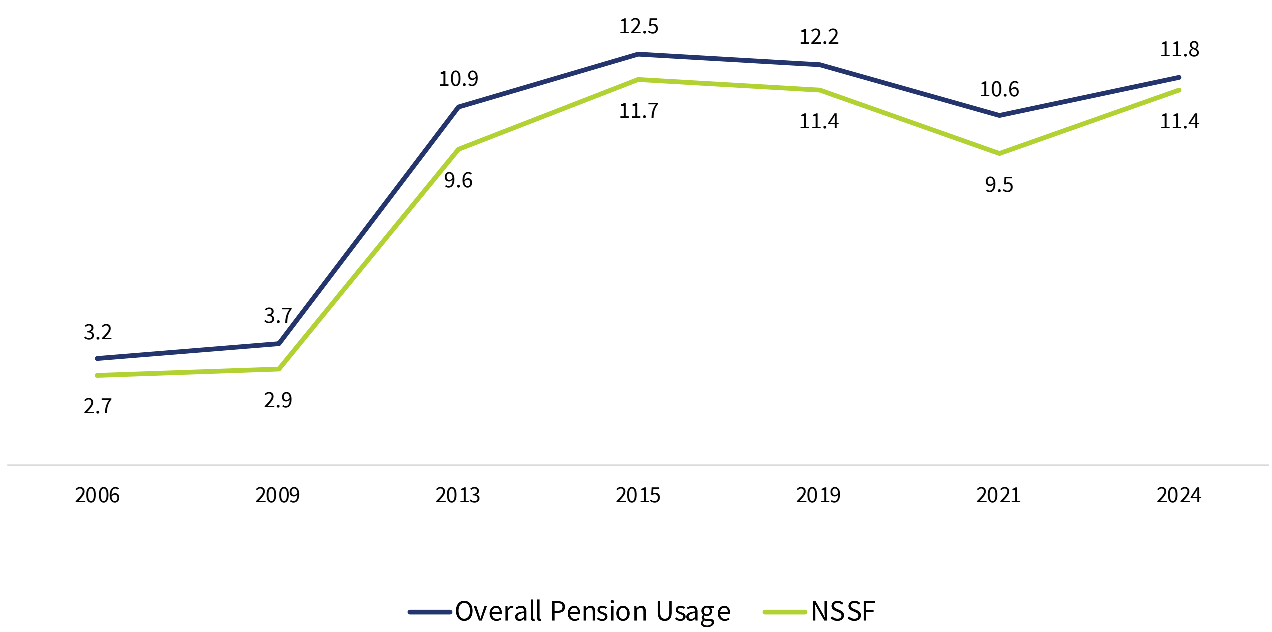
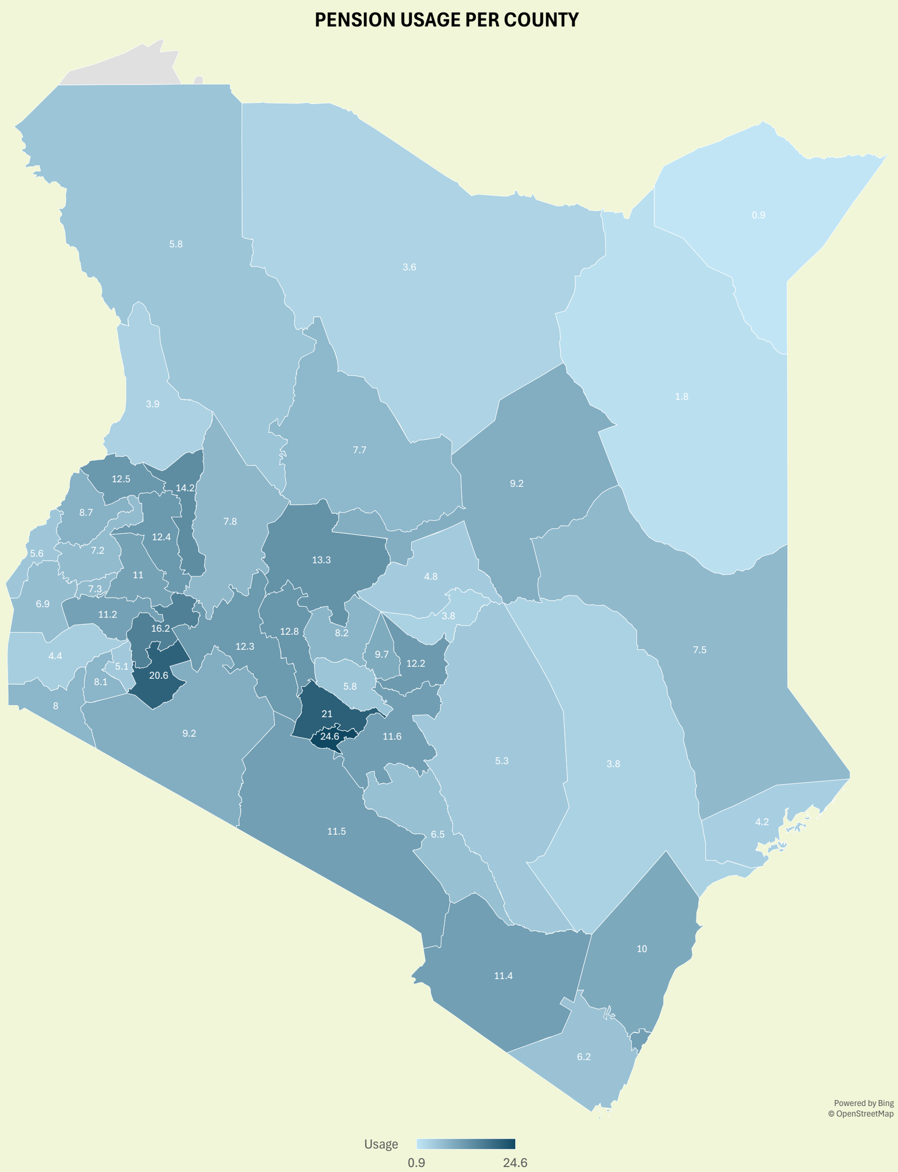


Figure 3.2: Overall Usage of Pension/Retirement Benefits Services by County



County	Usage
Mandera	0.9
Wajir	1.8
Marsabit	3.6
Tana River	3.8
Tharaka-Nithi	3.8
West Pokot	3.9
Lamu	4.2
Homabay	4.4
Meru	4.8
Nyamira	5.1
Kitui	5.3
Busia	5.6
Murang'a	5.8
Turkana	5.8
Kwale	6.2
Makueni	6.5
Siaya	6.9
Kakamega	7.2
Vihiga	7.3
Garissa	7.5
Samburu	7.7
Baringo	7.8
Migori	8
Kisii	8.1
Nyeri	8.2
Bungoma	8.7
Isiolo	9.2
Narok	9.2
Kirinyaga	9.7
Kilifi	10
Nandi	11
Kisumu	11.2
Mombasa	11.4
Taita-Taveta	11.4
Kajiado	11.5
Machakos	11.6
Embu	12.2
Nakuru	12.3
Uasin Gishu	12.4
Trans Nzoia	12.5
Nyandarua	12.8
Laikipia	13.3
Elgeyo-Marakwet	14.2
Kericho	16.2
Bomet	20.6
Kiambu	21
Nairobi City	24.6

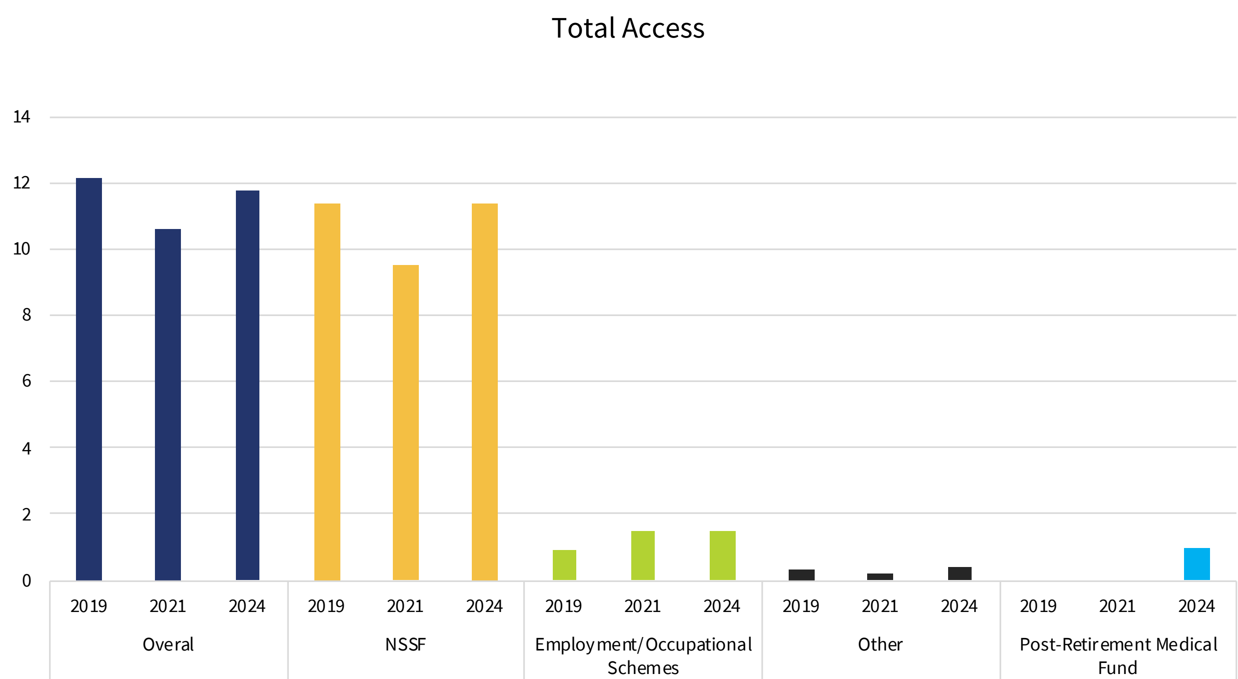
Reflecting the trends in pension access, Nairobi and Kiambu counties recorded the highest levels of pension usage at 24.6 percent and 21.0 percent, respectively. However, Taita Taveta, which ranked third in pension access, was ranked fourteenth in active pension usage. This suggests that a significant portion of its pension users were either dormant contributors or retirees already receiving their benefits. Mandera County had the lowest level of pension usage, consistent with its low pension access rates..

3.2. Usage of Pension/Retirement Benefits Products

Majority of the adult population (11.4 percent) of respondents saved for retirement through NSSF, which remains the dominant pension product. This was an improvement from 9.5 percent reported in 2021. This increase is attributable to the commencement of implementation of the NSSF Act, 2013 in 2022 after the court injunction that had existed since 2013 was lifted. The increased enforcement of the Act also enhanced compliance among employers to contribute for their employees to NSSF.

The usage of occupational retirement benefits schemes usage remained largely unchanged for both periods. The results also indicate an uptake of Post Retirement Medical Fund (PRMF) by 1.0 percent of the population, a positive move given that this is a new product intended to enable the working age population to save for their medical expenses in retirement during their active working life.

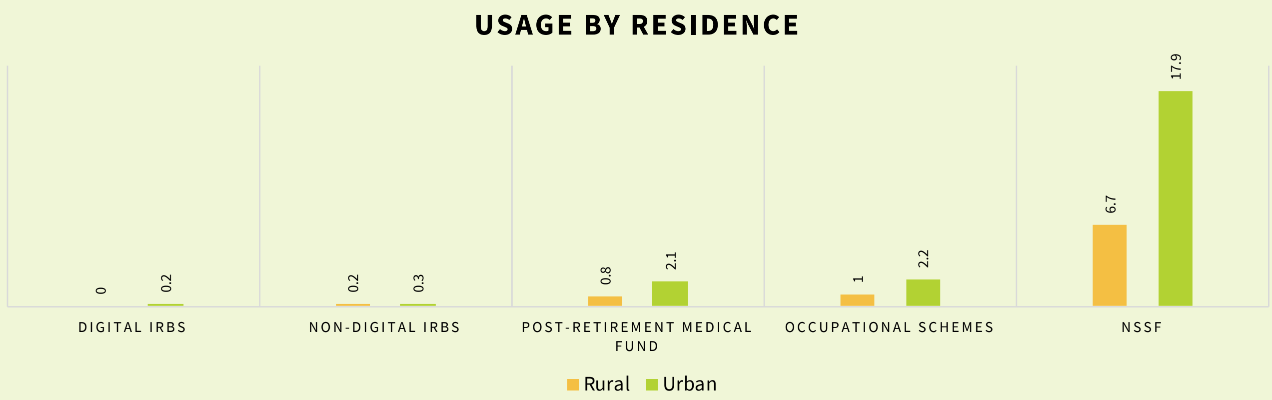
Figure 3.3: Usage of Various Pension/Retirement Benefits Products



3.3. Usage of Pension/Retirement Benefits Services Across Demographics

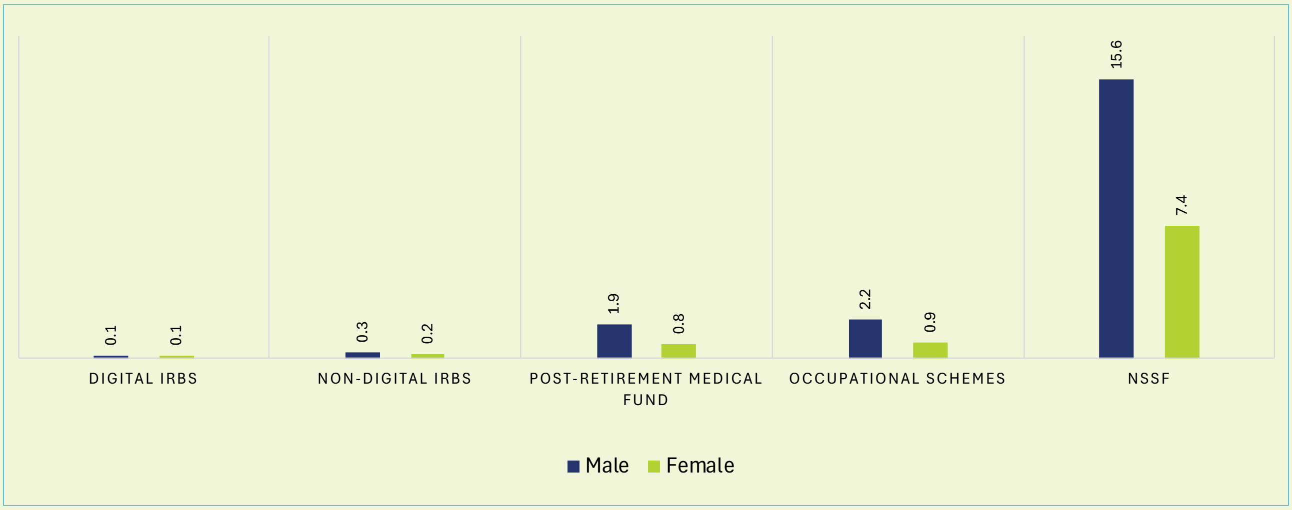
Pension usage by residence shows that urban dwellers were saving more for retirement relative to their counterparts in rural areas. Pension usage across all products was significantly lower in rural areas compared to urban areas. The largest disparity was observed in NSSF participation, with 17.9 percent of urban dwellers actively using NSSF, compared to 6.7 percent in rural areas. This gap can be attributed to the predominantly informal nature of income-generating activities in rural areas, whereby nature of their jobs, many individuals may not be required to register for NSSF. The same is also true for other pension products such as occupational schemes and post-retirement medical funds.

Figure 3.4: Usage of Various Pension/Retirement Benefits Products by Residence



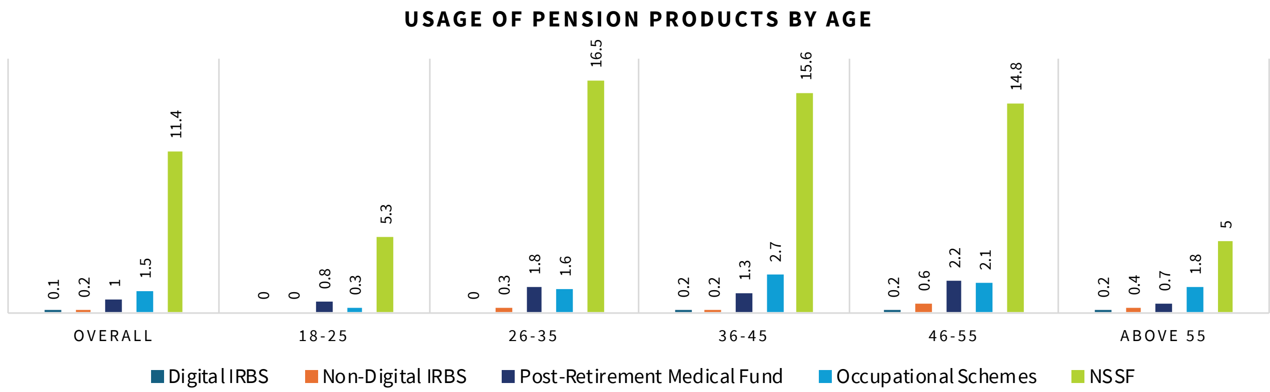
Pension usage by sex indicated a higher rate among the male adult population at 16.1 percent compared to the female adult population at 7.7 percent. The trend in usage by sex mirrors the labour market trends in Kenya where more males are employed than the female.

Figure 3.5: Usage of Various Pension/Retirement Benefits Products by Sex



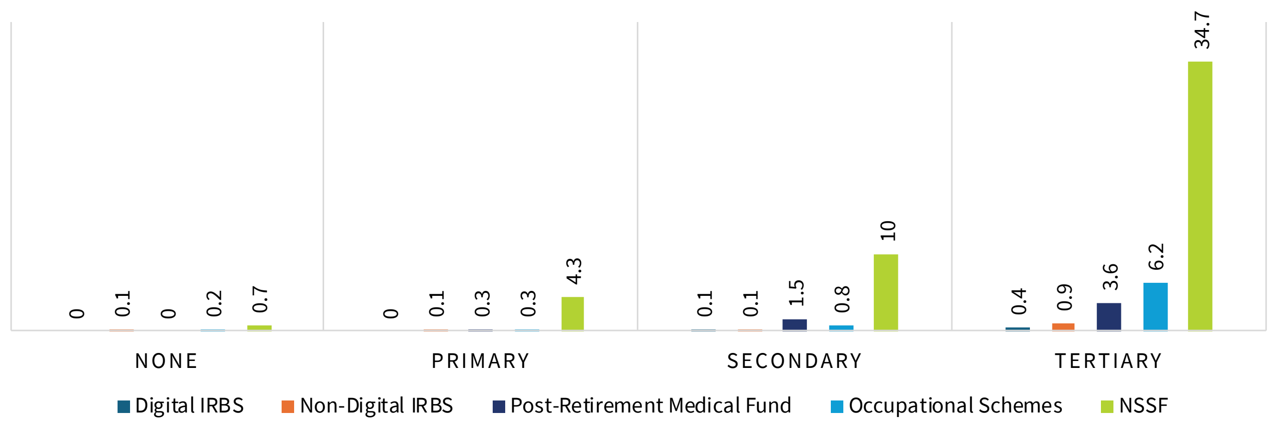
Pension usage was relatively higher among the population aged 26 to 55 years which reflects the working age population. The results also indicate that pension usage among the adult population increases as the wealth quintile increases. Individuals aged 25 to 35 years had the highest participation in the NSSF at 16.5 percent. However, for occupational schemes, the largest group was those aged 36 to 45 years, while post-retirement medical fund uptake was highest among individuals aged 46 to 55 years. Overall, respondents aged 18 to 25 years had the lowest participation across all pension products, highlighting the need for strategies to promote early usage of different pension products.

Figure 3.6: Usage of Various Pension/Retirement Benefits Products by Age



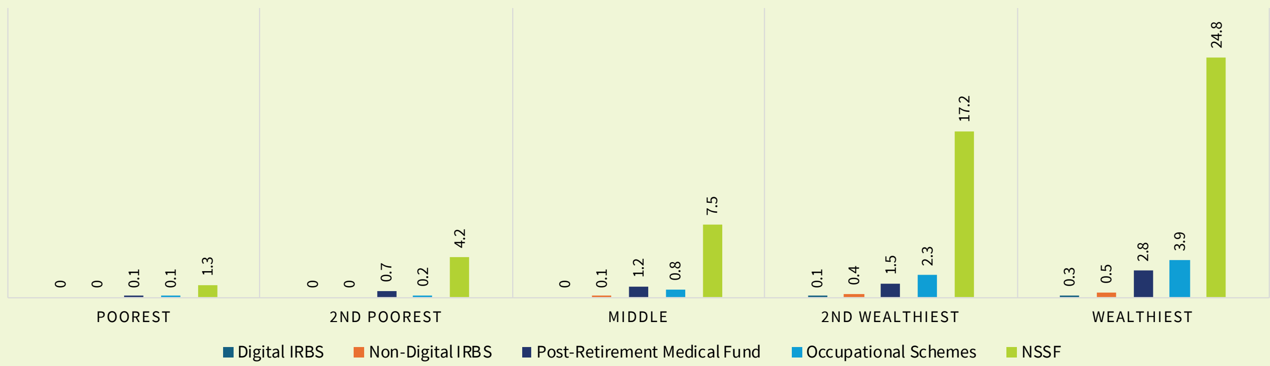
Across all pension products, individuals with tertiary qualifications had the highest participation. However, participation was low for those with secondary, primary, or no formal education. The results may be explained by low awareness levels on the need for and importance of retirement savings among those with no or low education qualifications. This underscores the need to enhance awareness to promote pension uptake among individuals with lower educational qualifications.

Figure 3.7: Usage of Various Pension/Retirement Benefit Products by Education



A similar trend is observed across wealth quintiles, where the second-wealthiest and wealthiest groups recorded above-average pension usage. In contrast, the poorest and second-poorest groups, who are the most vulnerable, had significantly lower participation, highlighting the need for targeted interventions to improve pension access within these segments.

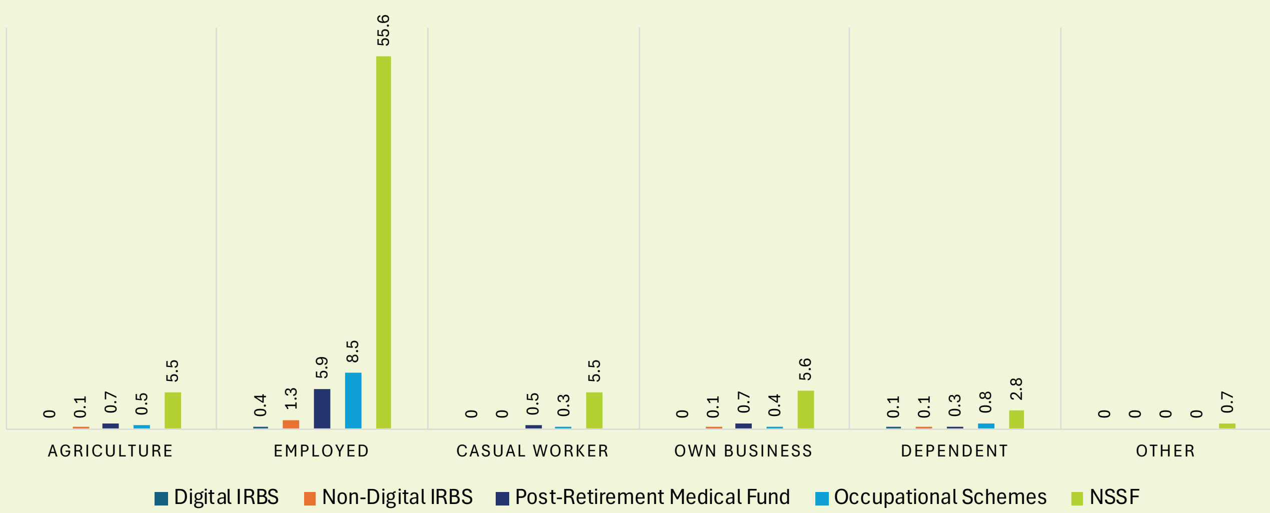
Figure 3.8: Usage of Various Pension/Retirement Benefits Products by Wealth Quintiles



Across all pension products, usage was highest among those in formal employment, with 55.6 percent of formally employed individuals contributing to NSSF. In contrast, participation was significantly lower among other livelihood groups as follows: 5.6 percent of business owners, 5.5 percent of casual workers, 5.5 percent of those who depended on the agricultural sector, 2.8 percent of those who depended on others for their livelihood, and 0.7 percent of individuals with other sources of livelihood.

A similar disparity is observed in occupational scheme participation, where 8.5 percent of formally employed individuals were active members, compared to less than 1.0 percent across all other livelihood categories.

Figure 3.9: Usage of Various Pension/Retirement Benefit Products by Livelihood



3.4. Barriers to Usage to Pension/ Retirement Benefits Services

Among those who stopped using retirement benefit services, 75.4 percent did so due to job loss, highlighting the strong reliance of pension savings on employment income rather than other income sources. This trend was more pronounced in rural areas (82 percent) compared to urban areas (67.2 percent).

Additionally, 32.9 percent cited affordability as the reason for discontinuing pension services, while 39.8 percent of urban dwellers were more likely to cite this challenge relative to 26.8 percent of the rural dwellers. This disparity may be attributed to the higher cost of living in urban areas, which reduces disposable income available for savings. These trends underscore the need for more affordable and flexible pension products to enhance accessibility and sustainability.

Figure 3.10: Barriers to Usage of Pension/Retirement benefits services

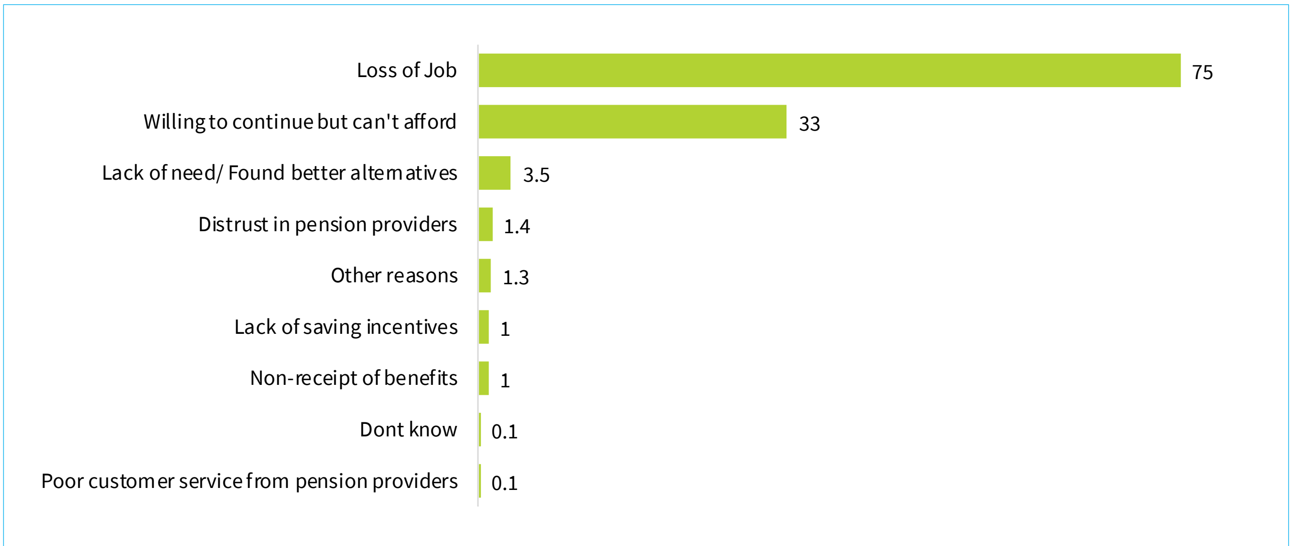
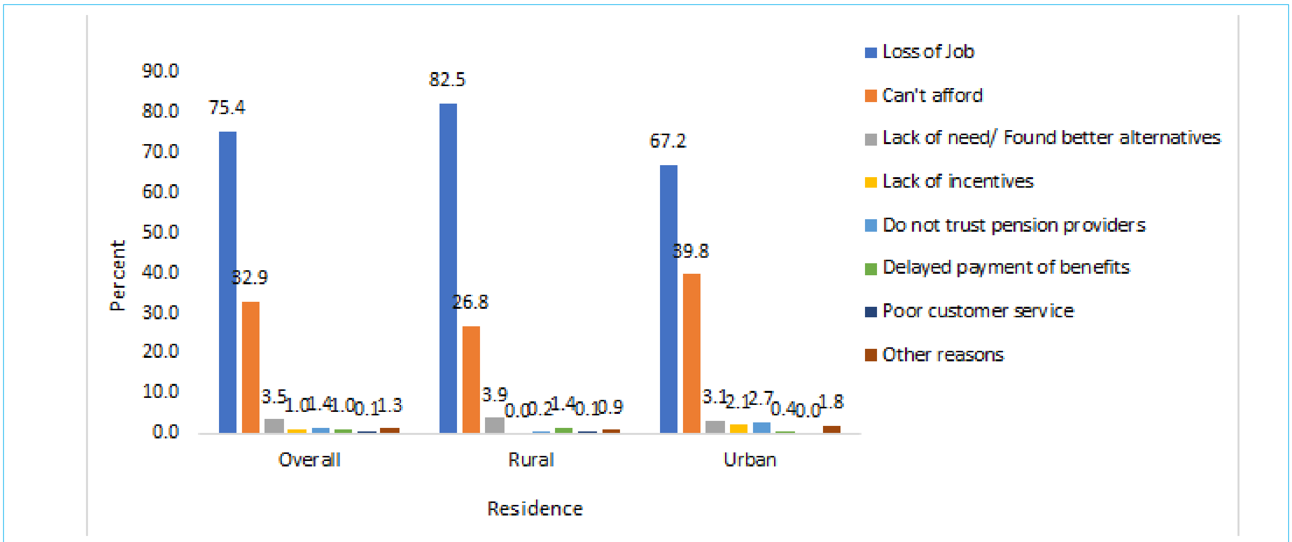
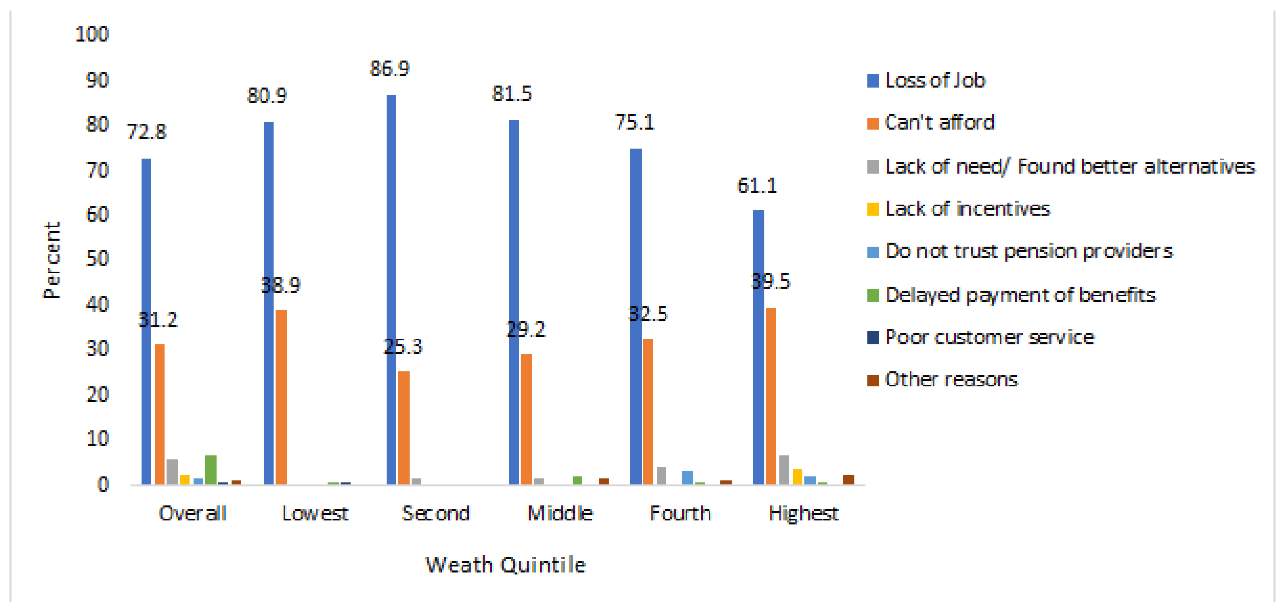


Figure 3.11: Barriers to Usage of Pension/Retirement benefits services by Residence



Across all wealth quintiles, job loss and affordability remained the primary reasons for discontinuing pension products. However, job loss was less prevalent among respondents in the highest wealth quintiles, likely due to greater job stability among higher-income individuals. Additionally, affordability remained a consistent barrier across all quintiles, further underscoring the affordability challenges associated with pension products.

Figure 3.12: Barriers to Usage of Pension/Retirement benefits services by Wealth Quintiles



Chapter 4

QUALITY OF PENSION/ RETIREMENT BENEFITS SERVICES

FINACCESS SURVEY 2024
Retirement Benefits Sub-Sector Report

4

QUALITY OF PENSION/RETIREMENT BENEFITS SERVICES

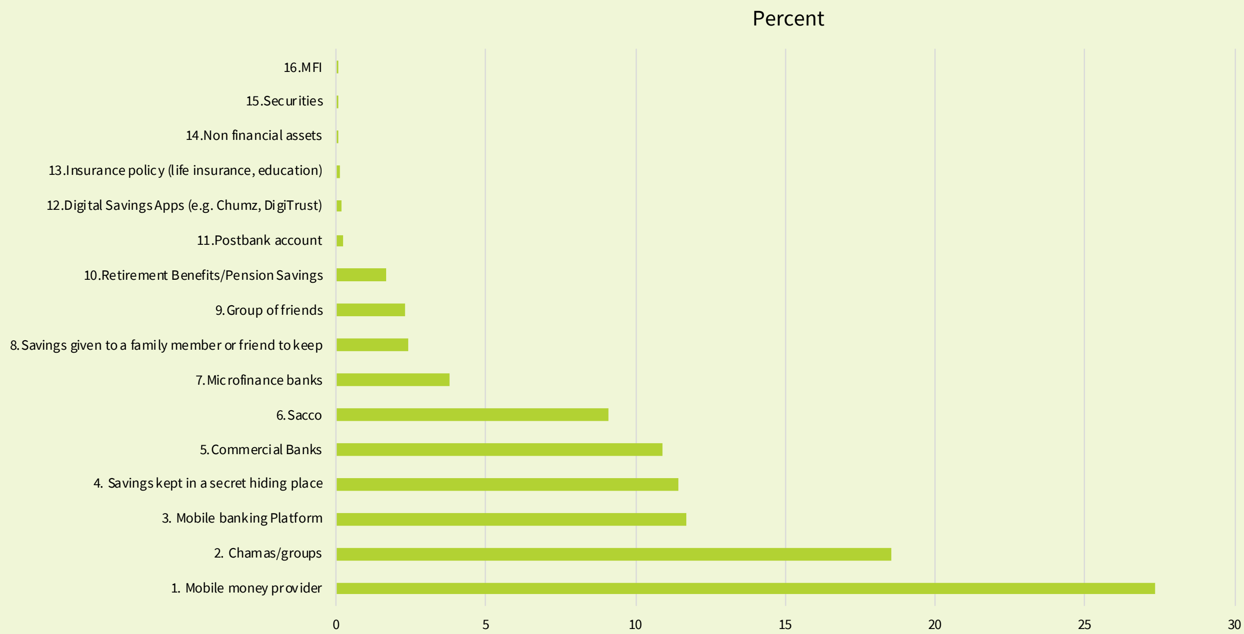
The quality dimension measures whether the users of pension/retirement benefits products and services match users' needs, utilization of other financial products by users of pension/retirement benefits, and users' awareness and understanding of pension/retirement benefits products and services by focusing on financial literacy and consumer protection concerns.

To further improve quality of pension services, the Retirement Benefits Authority (RBA) has introduced Good Governance Guidelines aimed at enhancing transparency, accountability, and prudent management of pension schemes. These guidelines promote effective oversight by trustees, ethical conduct, risk management, and member-centric decision-making, all of which are essential in ensuring the delivery of quality pension services and safeguarding member benefits..

4.1. Importance attached to pension/retirement benefits savings

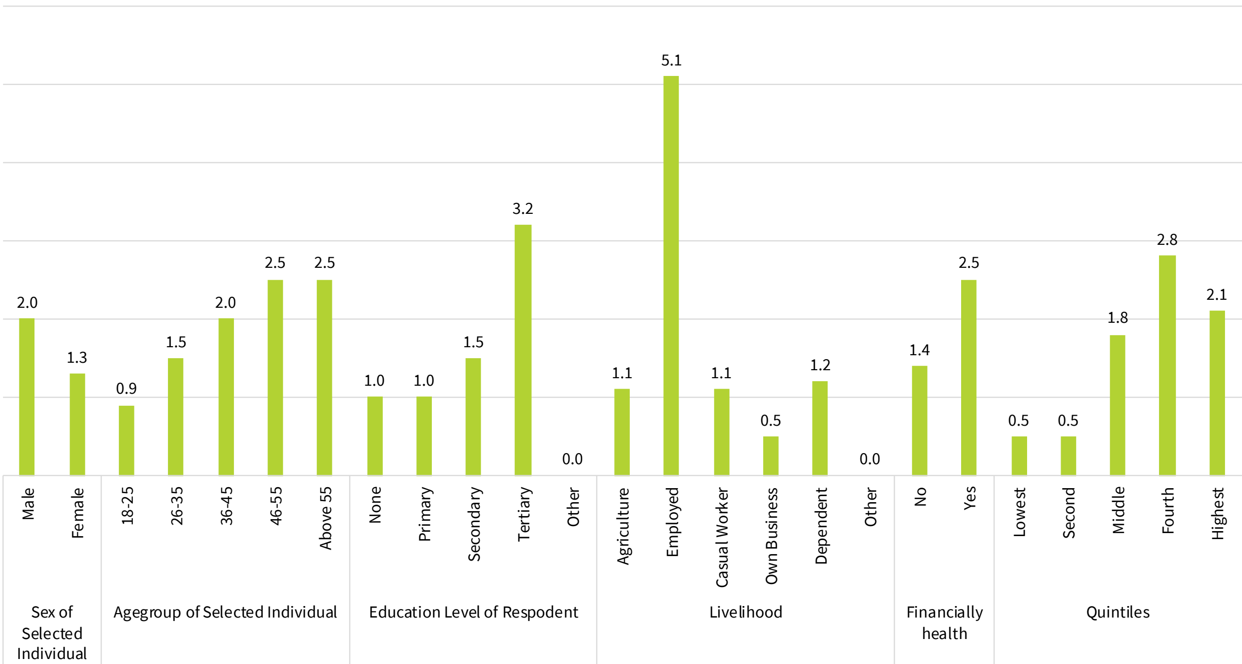
Pension/retirement benefits savings ranked number ten among the most important savings platforms. It was mentioned by 1.7 percent of the adult population accessing financial services as shown in figure 4.1. This is because pension is viewed among the population as a product for those in formal employment as opposed to the ones in informal employment sector. The bias has equally been entrenched by the product design of pensions that mainly depicts a situation where users of pension products are expected to make periodic contributions, mostly monthly, aligned with the income received from employment monthly.

Figure 4.1: Ranking of pension/retirement benefits among other savings platforms



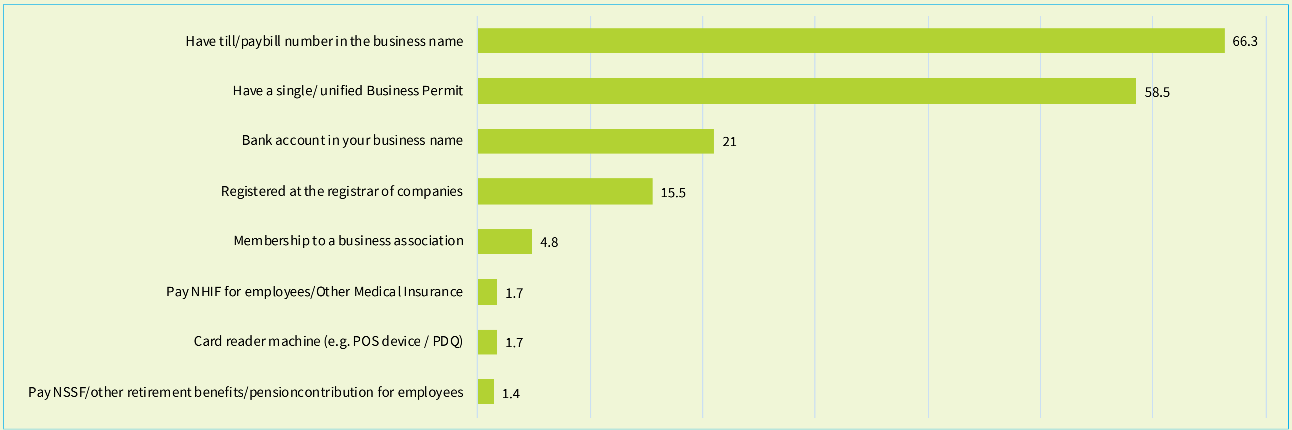
Across the various demographics, livelihood and wealth quintiles pension/retirement savings was relatively important to the male, those aged above 36 years and those with tertiary education. Equally, pension/retirement benefits savings was more important to the employed, the financially healthy and those in the high-income category as illustrated in Figure 4.1.

Figure 4.2: Importance of pensions across demographics



Despite many businesses having well-established structures with 66.3 percent having till/paybill numbers, 58.5 percent holding single/unified business permits, and 21 percent maintaining bank accounts in their own name, only 1.4 percent were making contributions for their employees to pension/retirement benefits schemes including NSSF. This is despite the NSSF Act of 2013 requiring all employers with more than one employee to register and make contributions for them in NSSF. The low compliance rate highlights the need for stronger enforcement measures to ensure that all registered businesses adhere to the Act.

Figure 4.3: Contributing to pensions/retirement benefits by businesses



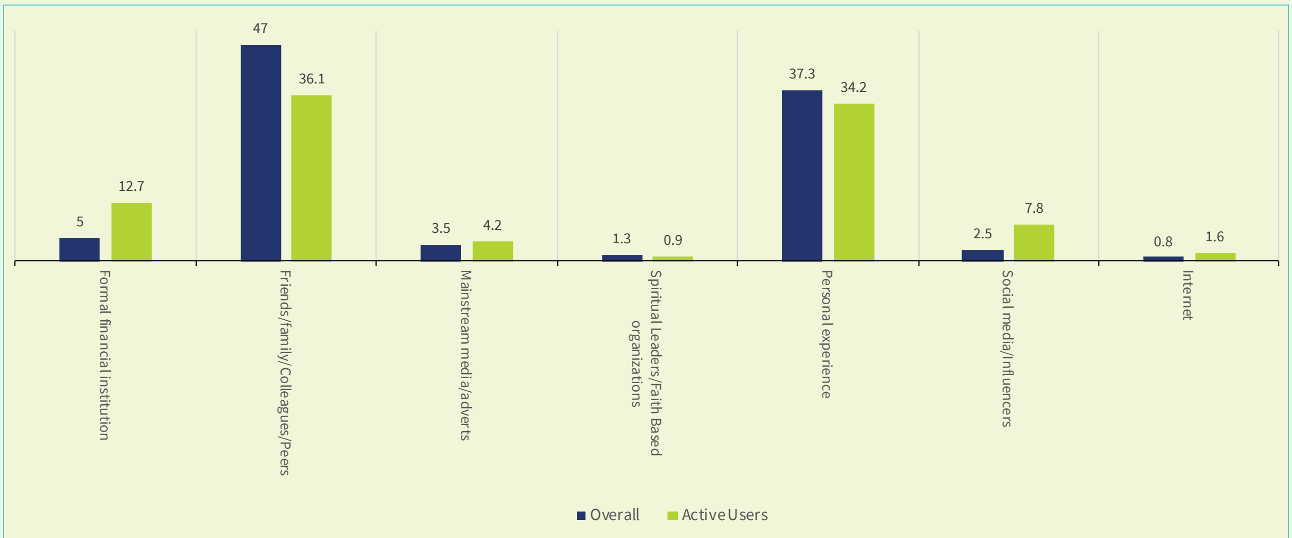
4.2. Financial literacy among pension/ retirement benefits users

Financial literacy encompasses the awareness, knowledge, skills, and attitudes needed to make informed and effective financial decisions. Key components of financial literacy tested in the survey include understanding basic financial terms and being able to recognize and evaluate transaction costs associated with financial services.

Financial literacy is important for pension/ retirement benefits users as it supports effective personal financial planning and budgeting, equipping them to manage their resources wisely and achieve their financial goals both when contributing and in retirement.

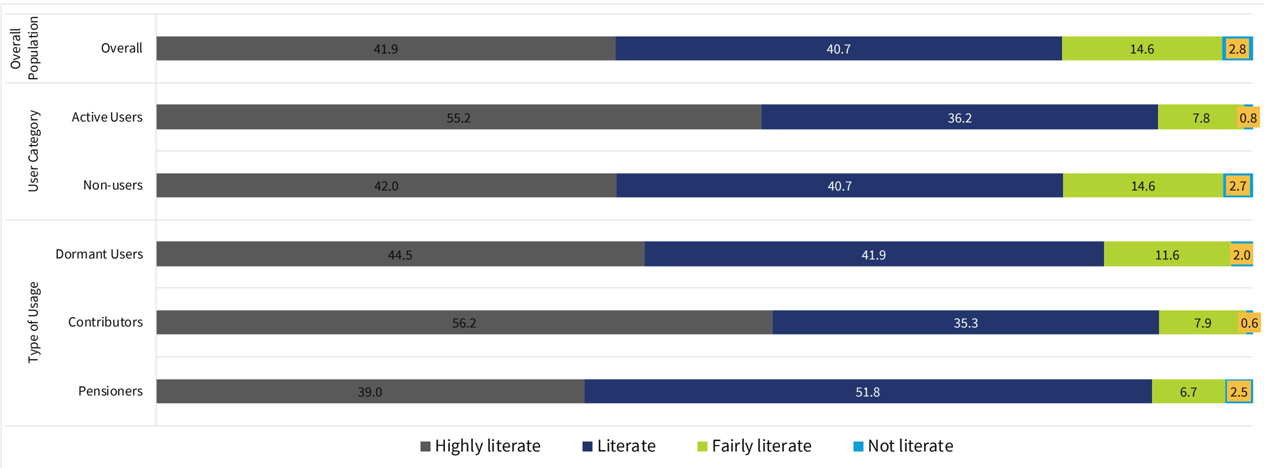
The main sources of financial advice for pension/retirement benefits active users were friends/family/colleagues/peers (34.5 percent), personal experience (39.2 percent), formal financial institutions like banks, investment advisors, saccos among others (12.7 percent), and social media/influencers (7.8 percent).

Figure 4.4: Source of financial advice for pension/retirement benefits users



The overall financial literacy among pension/retirement benefits users was moderate to high with 41.9 percent being highly literate and another 40.7 percent being literate. The literacy level was relatively higher among active users, more so, for contributors as compared to non-users of pension/retirement benefits products and services.

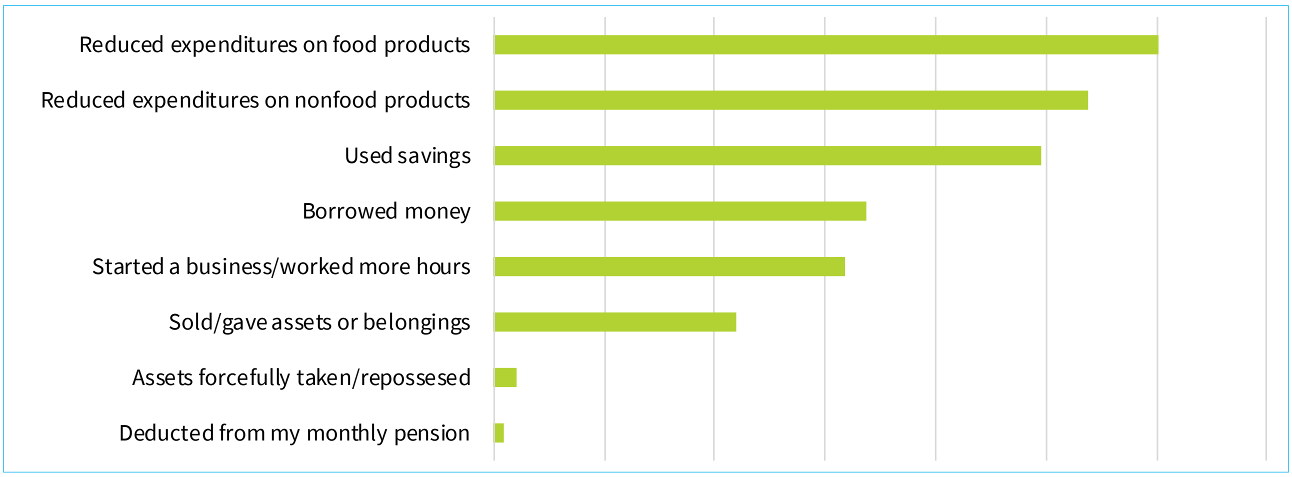
Figure 4.5: Financial literacy levels among pension/retirement benefits users



4.3. Loans usage among pension/retirement benefits users

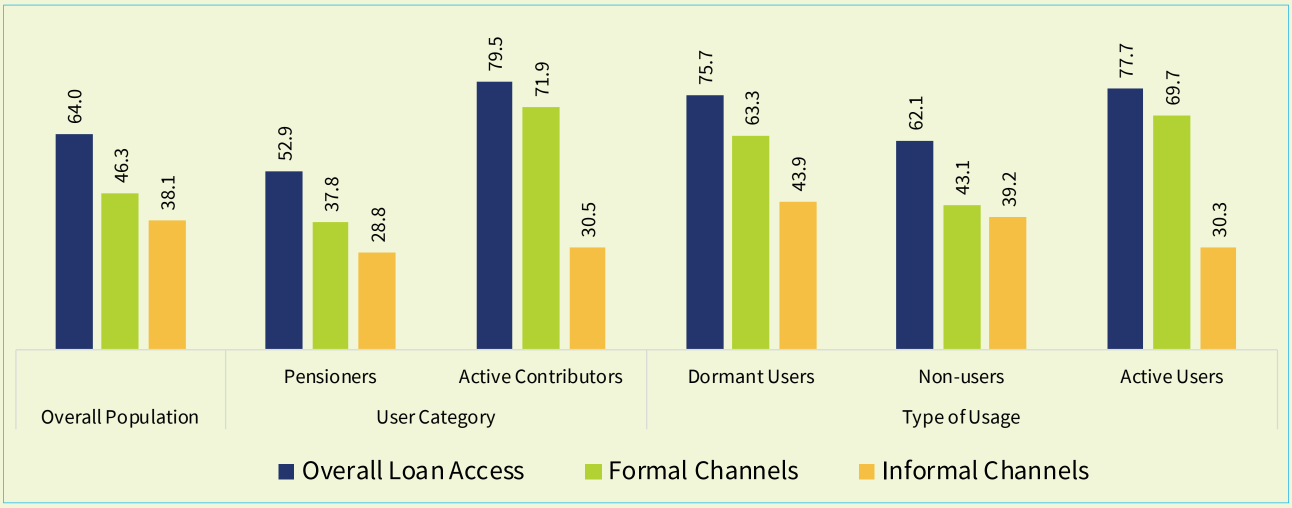
Regarding loan usage among pension/retirement benefits users, the survey findings indicate that only 0.9 percent of respondents were repaying their loans through monthly deductions from their pensions (Figure 4.6). Compared to other loan repayment methods, the use of pension funds for this purpose remains low. This may be attributed to limited pension access or the relatively small amounts received by pension beneficiaries, making them insufficient for loan repayments.

Figure 4.6 : Usage of pension/retirement benefits for Loan Repayment



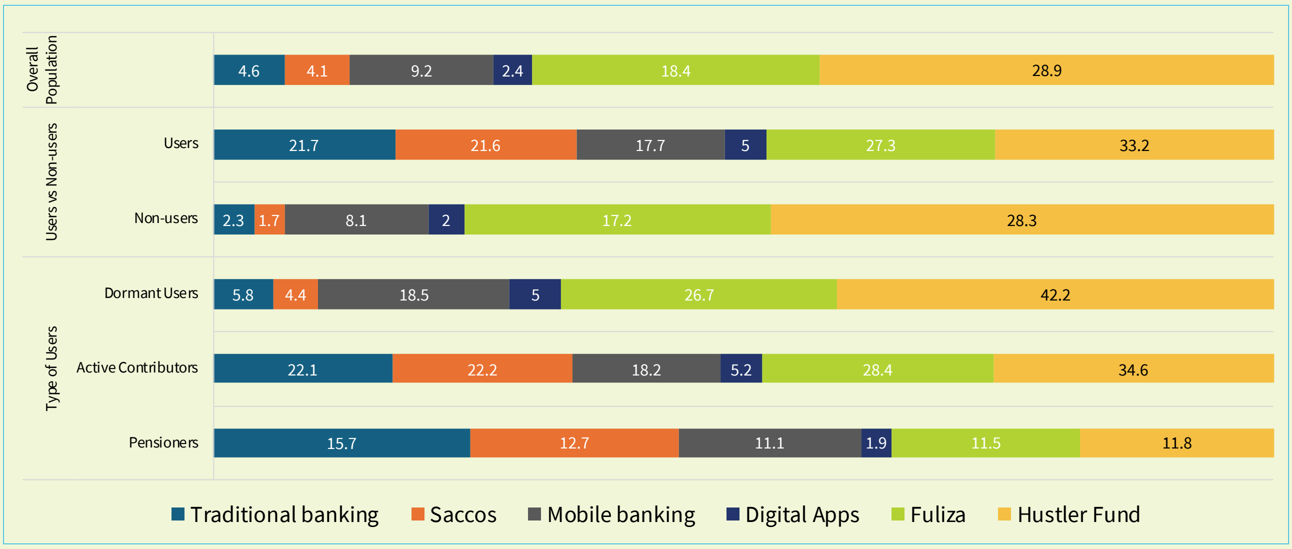
As shown in Figure 4.7(a), pensioners have lower access to credit through both formal and informal channels. This can be attributed to the relatively low pension payouts many receive, which may be insufficient to meet the requirements for formal loan repayment. In contrast, active contributors demonstrate a significantly higher access rate to formal loans, at 71.9 percent, compared to the overall formal loan access rate of 46.3 percent. They also report lower reliance on informal loans. This is largely because most active contributors are formally employed, granting them easier access to formal financial services and credit facilities.

Figure 4.7(a): Loan access among pension/retirement benefits users



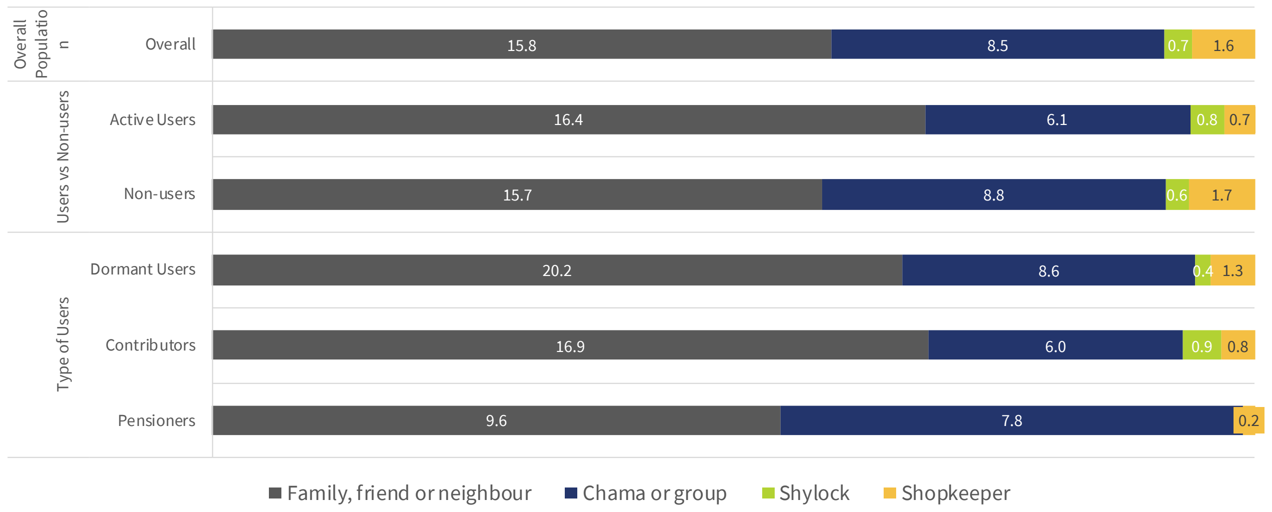
In formal usage, the largest proportion of pensioners (15.7 percent) rely on traditional banking institutions for their loans, in contrast to the overall trend, which shows a greater reliance on Hustler Funds. Conversely, contributors and dormant users exhibit higher utilization of Hustler Funds, at 34.6 percent and 43.2 percent respectively (Figure 4.7(b)).

Figure 4.8: Formal loan usage among pension/retirement benefits users



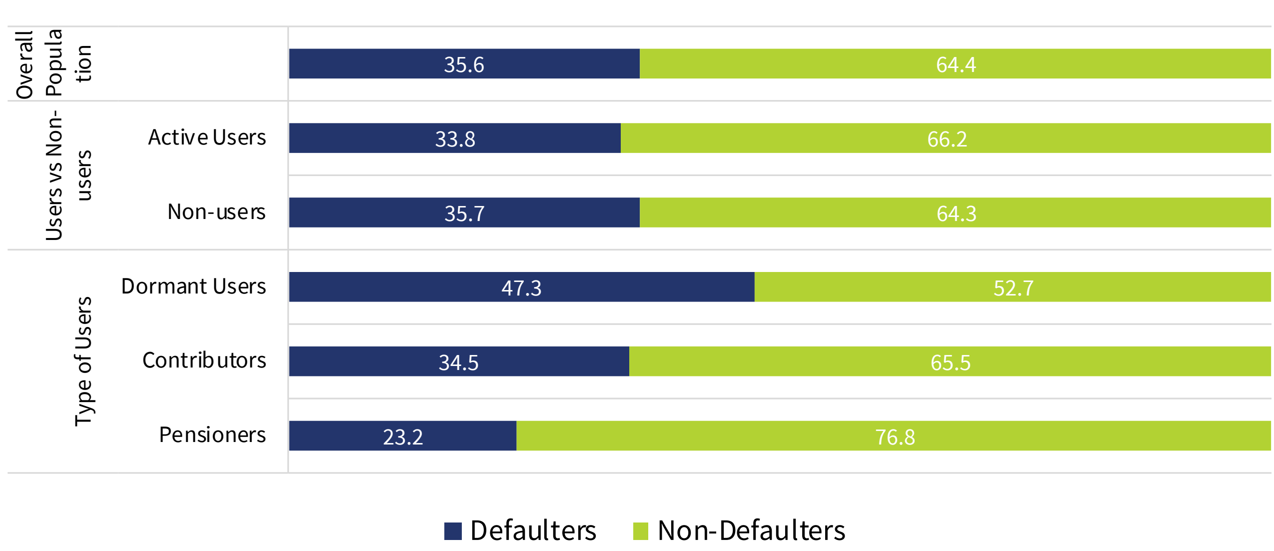
Under informal loan access, pensioners rely less on family, friends, or neighbours for loans (9.6%) and slightly more on chamas or groups (7.8%), compared to the overall population, where reliance on family, friends, and neighbours stands at 15.8%, and on chamas or groups at 8.5% (Figure 4.7(b)).

Figure 4.9: Informal loan usage among pension/retirement benefits users



Pensioners have a lower loan default rate of 23.2 percent compared to the overall population, which stands at 35.4 percent. This difference reflects the financial stability that pension payments provide. However, the default rate among dormant users is notably high at 47.3 percent. This may be attributed to the fact that many individuals stop using pension products due to job losses, which could also impact their ability to repay loans (Figure 4.8).

Figure 4.10: Loan default rate among pension/retirement benefit users

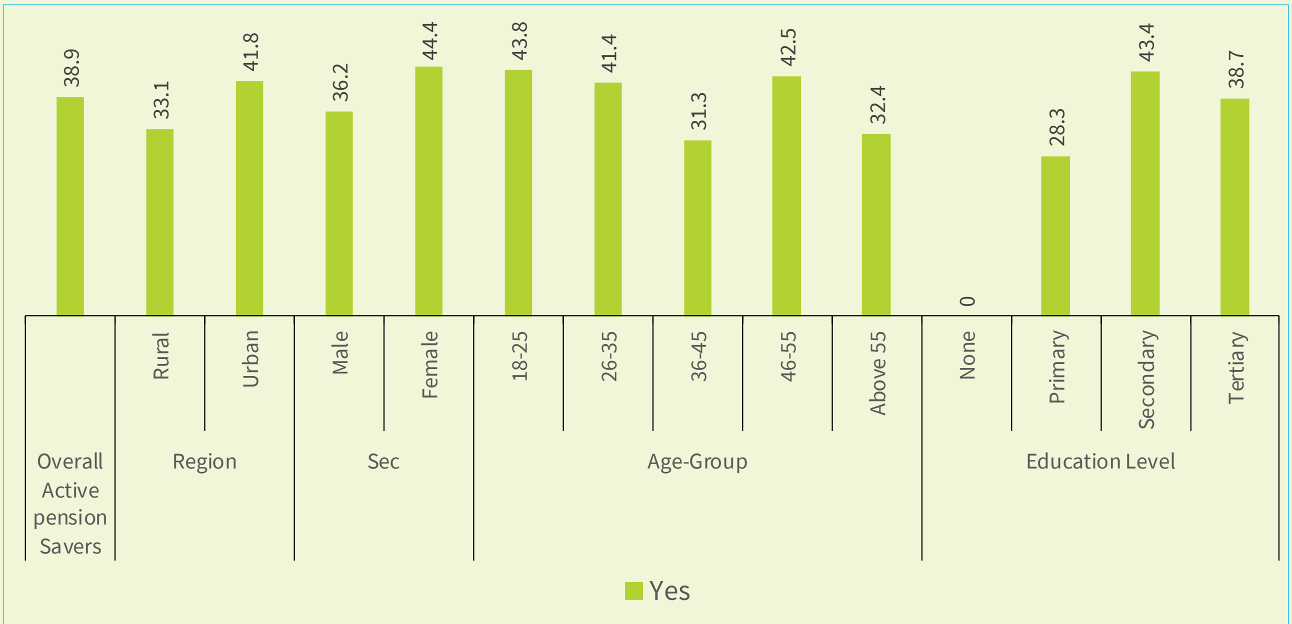


4.4. Adequacy/Preservation of pension/ retirement benefits

When asked if they felt that their current savings habits were adequate to support them during retirement, only 38.9% of respondents indicated that they might be able to accumulate enough funds to sustain themselves during retirement.

Demographically, urban residents were more optimistic than those in rural areas, and women expressed greater confidence in the adequacy of retirement contribution rates than men, suggesting better saving habits among these groups. Younger savers were also more optimistic, likely due to the longer period they must grow their savings.

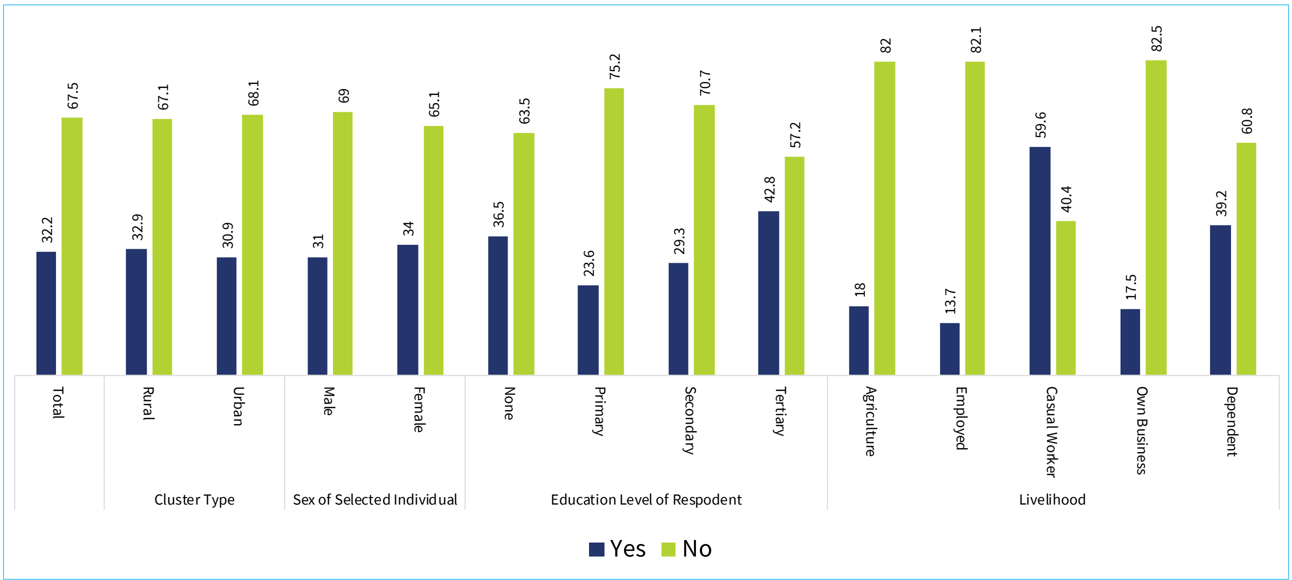
Figure 4.11: Figure 4.9: Adequacy of pension/retirement benefits among users



Among pension recipients, only 32.2 percent felt their pension was adequate. This highlights the ongoing challenge of pension adequacy, where many retirees struggle to meet daily expenses.

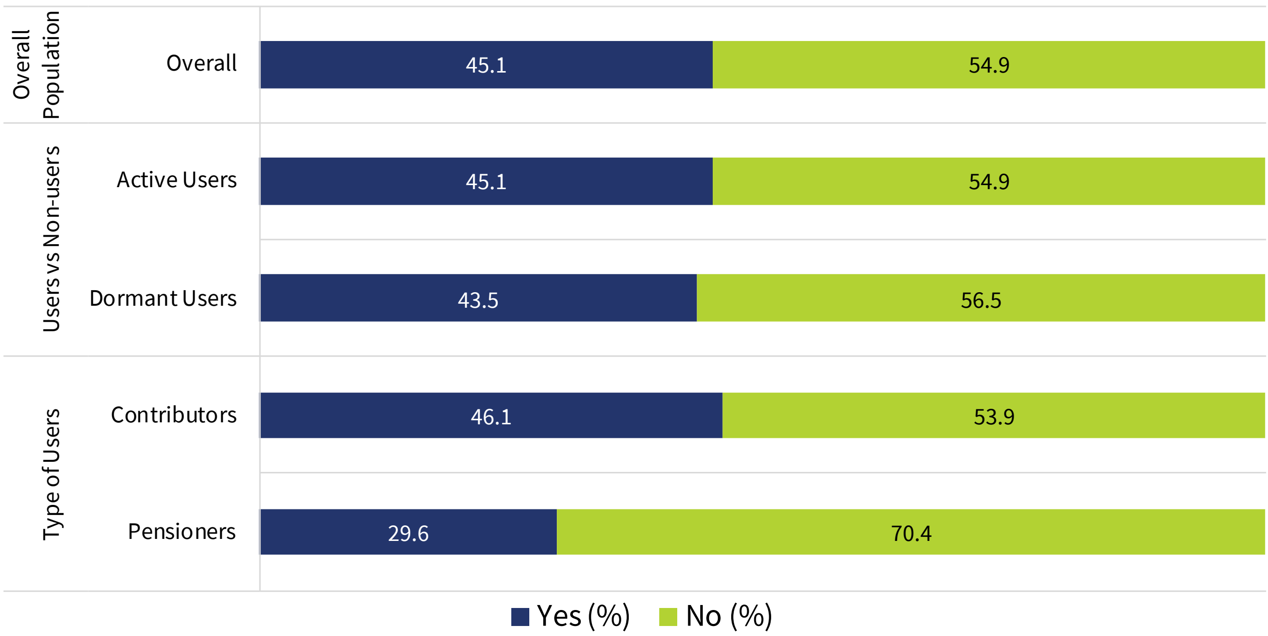
Satisfaction with pension adequacy was slightly higher among rural retirees (32.9 percent) compared to their urban counterparts (30.9 percent). This can be attributed to higher costs of living in urban areas. Additionally, those with tertiary education and individuals in casual employment reported higher levels of satisfaction than other employment groups.

Figure 4.12: Adequacy of pension/retirement benefits payments received by Pensioners



The survey found that 53.4 percent of respondents think pension savings should not be withdrawn before the minimum retirement age, while 45.2 percents favour allowing early access. Pensioners currently receiving payments showed stronger support for restricting early withdrawals, as they believe it reduces the funds available for retirement, impacting the adequacy of benefits.

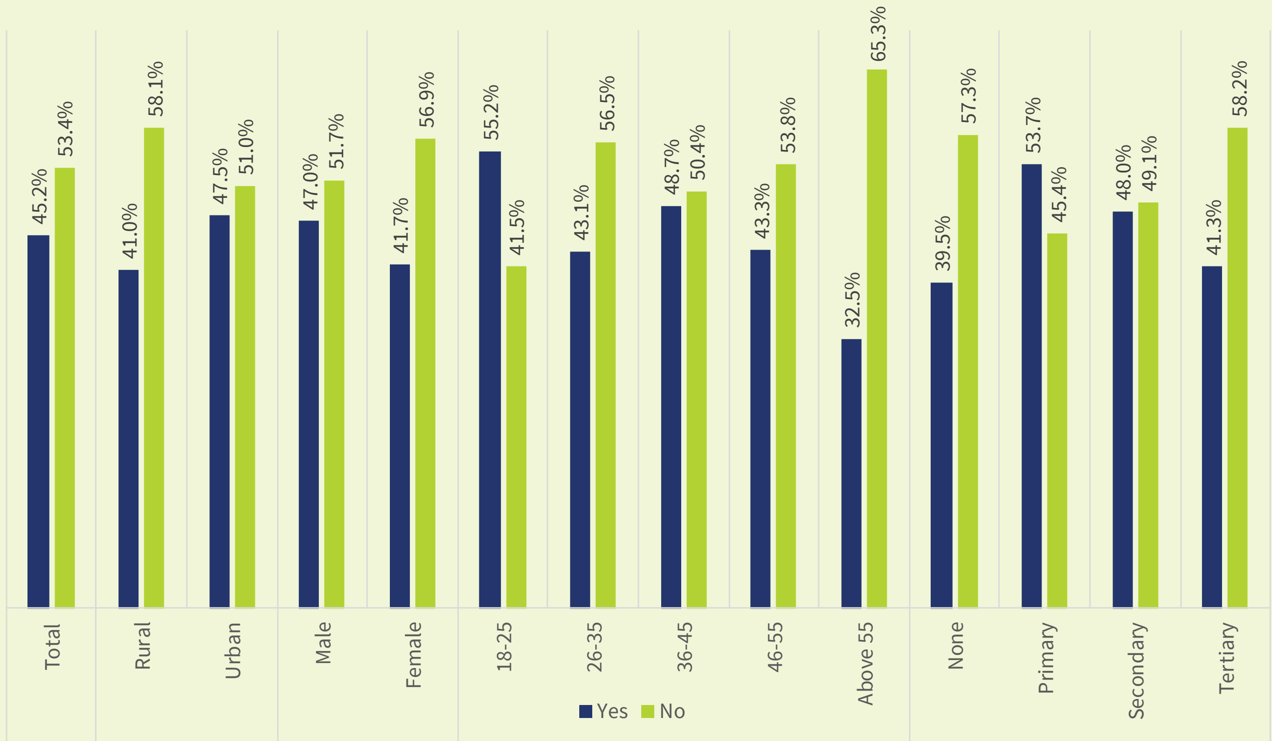
Figure 4.13: Perception of early access to pension/retirement benefits



Support for benefit preservation was higher among rural dwellers (58.1 percent) com-pared to urban residents (51.0 percent) and was also more prevalent among female savers.

Additionally, individuals above 55 years expressed significantly greater support (65.3 percent), likely due to their firsthand experience of retirement challenges. Those with tertiary education also showed above-average support (58.2 percent), which may be attributed to higher financial literacy..

Figure 4.14: Perception on early access to pension/retirement benefits by demographics

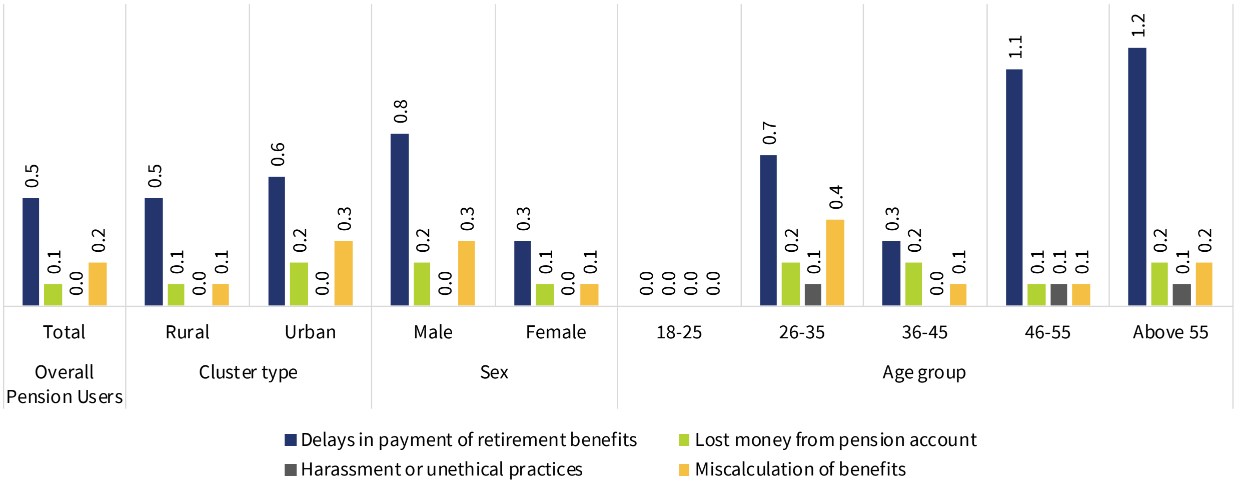


4.5. Consumer protection for pension/ retirement benefits users

The most common customer experience issue in retirement benefit schemes was delays in benefit payments, reported by 0.5 percent of respondents. This issue was more prevalent in urban areas than in rural areas, likely due to the higher concentration of pension schemes in urban centres.

Older individuals (those above 46 years) were more likely to experience delays in pension payments, as this is the typical retirement age in Kenya. Other customer service issues reported in pension schemes included lost funds from pension accounts and miscalculation of benefits, very few instances were reported.

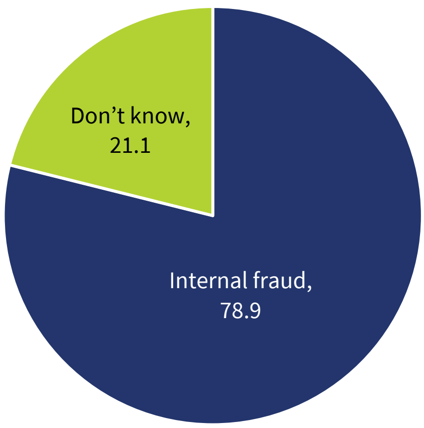
Figure 4.15: Incidences of consumer protection breaches in pension/retirement benefit schemes



Most reported cases of financial loss within retirement benefit schemes were linked to internal fraud, underscoring the need for stronger internal controls and safeguards to protect members' savings. Notably, 21.0 percent of affected individuals did not know how they lost their money, indicating a significant information gap and the need for improved transparency and communication within schemes.

There were no reported cases of external fraud, suggesting that pension schemes have effective measures in place to guard against external threats. Overall, fraud does not appear to be a major concern for most pension scheme members, with only 0.1 percent reporting such incidents.

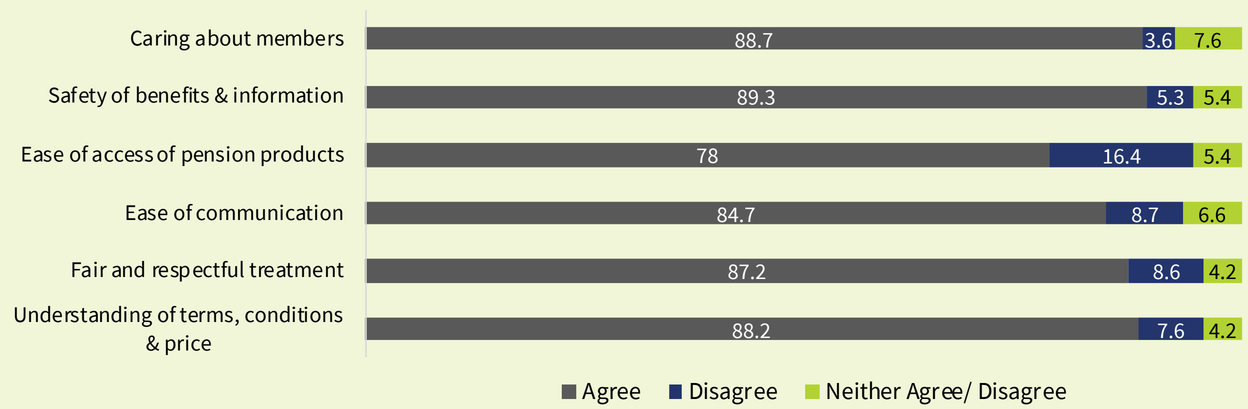
Figure 4.16: Ways users lost money in a pension/retirement benefit scheme



A majority (87.2 percent) of pension product users felt that their scheme treats them fairly and with respect, indicating high customer satisfaction among members. However, satisfaction levels were lower among rural residents (84.0 percent), female respondents (85.9 percent), individuals aged 55 and above (84.1 percent), and those without formal education (83.7 percent). These findings highlight the need for pension schemes to enhance customer engagement and support for these specific demographics.

The results show that 89.0 percent of pension product users understand the terms, conditions, and pricing of their pension products, suggesting effective communication with members. The results are also attributed to efforts by the Retirement Benefits Authority (RBA) to ensure that scheme members are well informed of their rights and obligations within a scheme. However, understanding of these terms is lower among individuals without formal education and those in rural areas, likely reflecting lower financial literacy in these demographics.

Figure 4.17: Level of understanding of consumer protection elements among pension/ retirement benefit scheme users



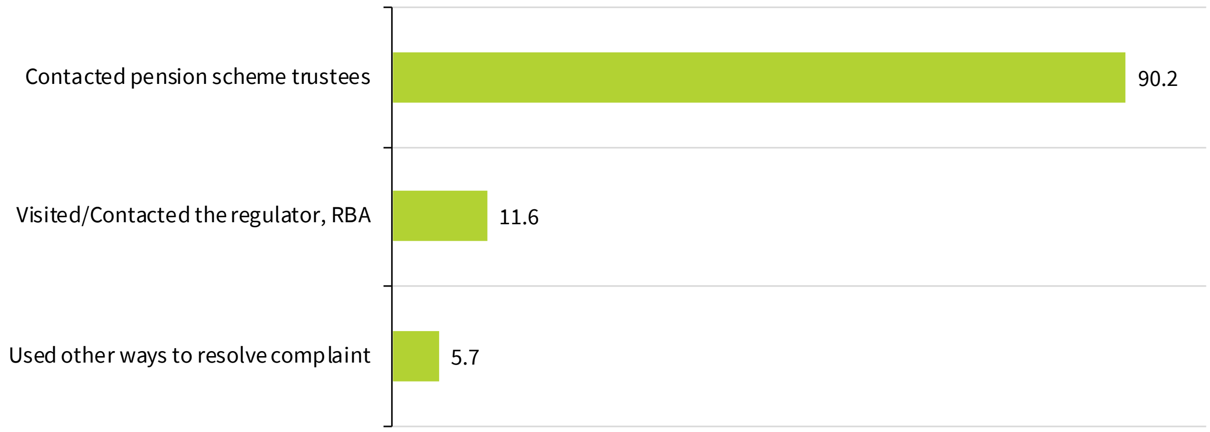
In the past year, only 43.5 percent of individuals with pension-related complaints did formally register them, possibly due to low awareness of member rights or available complaint resolution channels.

Demographically, 40.5 percent of rural residents were less likely to report complaints compared to 45.7 percent of the urban dwellers (. Women also reported complaints at lower rates compared to men, while individuals with tertiary education had higher reporting rates, likely due to greater financial literacy and awareness of their rights.

Figure 4.18: Complaints reporting by pension/retirement benefits users

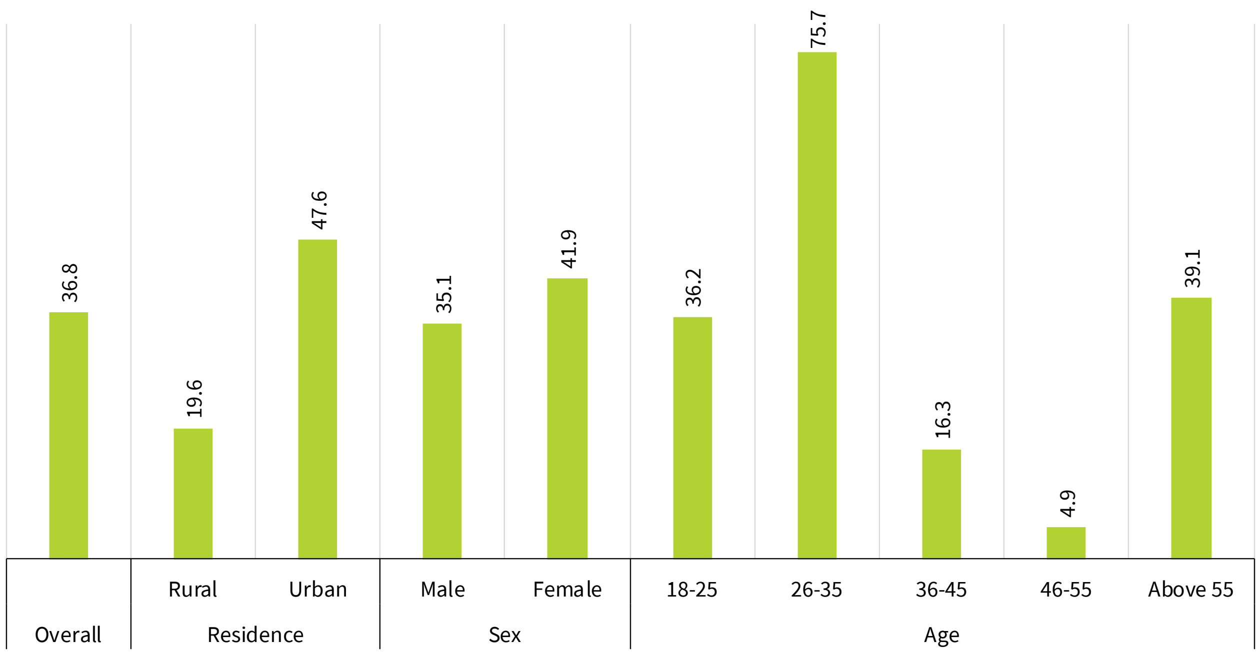
The majority of pension-related disputes (90.2 percent) were reported through pension scheme trustees, highlighting their critical role as the first point of complaint resolution for scheme members. Additionally, 11.6 percent of complaints were escalated to the regulator, RBA, often due to dissatisfaction with trustees' resolutions. A further 5.7 percent of complaints were addressed through alternative resolution methods.

Figure 4.19: Methods used to register complaints by pension/retirement benefits users



In the past year, only 36.8 percent of registered pension complaints were successfully resolved, suggesting either prolonged resolution timelines or ineffective dispute resolution mechanisms. This may also reflect the complexity of pension-related complaints, which often require extended periods for resolution.

Figure 4.20: Feedback on successful resolution of pension complaints by demographics



Chapter 5

IMPACT OF PENSION/ RETIREMENT BENEFIT SERVICES

5

IMPACT OF PENSION/ RETIREMENT BENEFIT SERVICES

This chapter focuses on the Impact dimension for pension/retirement benefits users. Impact is analysed by assessing the life priorities and relevance of financial services in meeting needs, dealing with shocks, and sources of livelihoods among pen-sion/retirement benefits users. The chapter equally assesses the measurement of the financial health among pension users, business, and agriculture finance.

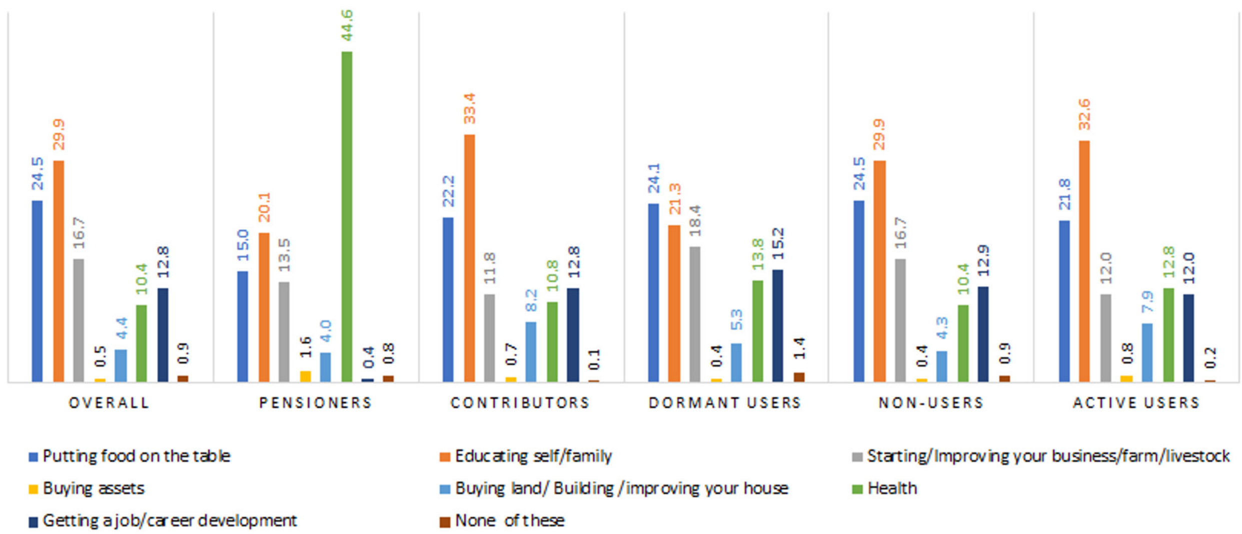
5.1. Main life priorities for pension/ retirement benefits users

Health is the top priority for pensioners, with 44.6 percent identifying it as their main concern compared to 10.3 percent in the overall population. This underscores the im-portance of ensuring retirees have access to healthcare and highlights the need for post-retirement medical funds, allowing savers to set aside funds for medical cover-age while still working.

Education is another key priority, with 20.1 percent of pensioners and 32.6 percent of active contributors prioritizing their own or their family's education. This reflects the financial dependency burden faced by both groups as they continue to support family members' education.

Additionally, 21.8 percent of active contributors prioritized buying land or improving their homes, while 13.5 percent of pensioners focused on starting or expanding their businesses.

Figure 5.1: Life priorities for pension/retirement benefits users



5.2. Major shocks facing pension/ retirement benefits users

Health concerns and climate-related issues are among the major challenges facing both pensioners and active contributors. The data shows that 33.6 percent of retirees experienced shocks related to major illness, health problems, or accidental injury, slightly higher than the 31.8 percent reported by active contributors. These findings reinforce the importance of promoting post-retirement medical products to help pensioners manage health-related shocks.

Another significant shock for pensioners is the loss of income or major financial expenses due to caring for others, reported by 24.3 percent of retirees, more than any other user group. These results point at the high dependency burden faced by many pensioners and underscores the need for strategies that enhance benefit adequacy to better support dependants.

Climate-related shocks also pose a substantial risk, with 21.2 percent of pensioners citing livestock or crop failure due to pests and diseases, and 13 percent reporting losses from drought. These figures indicate a heavy reliance on farming in retirement and point to the serious impact that climate shocks can have on pensioners' livelihoods.

Figure 5.2: Major shocks facing pension/retirement benefits users

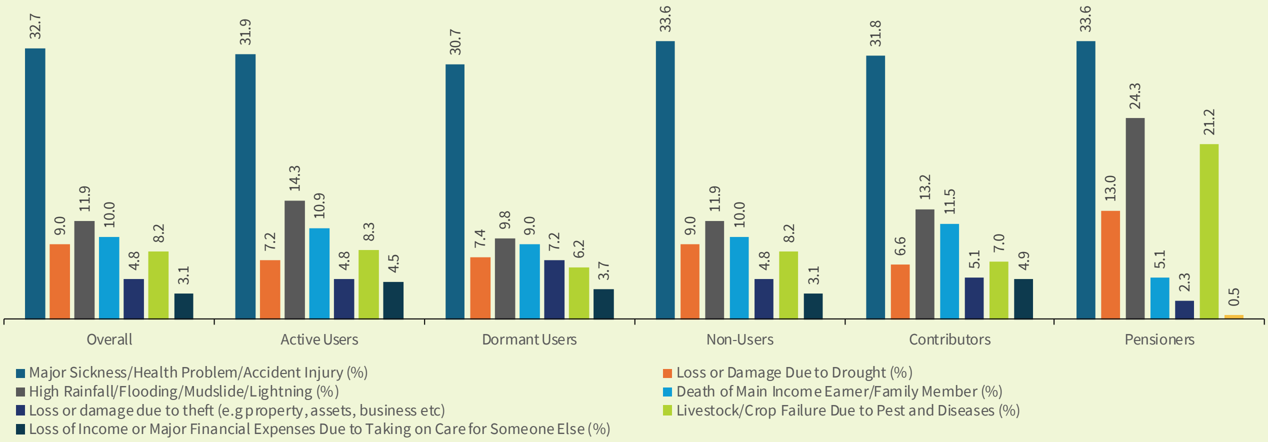


Figure 5.3: How pension/retirement benefits users deal with shocks

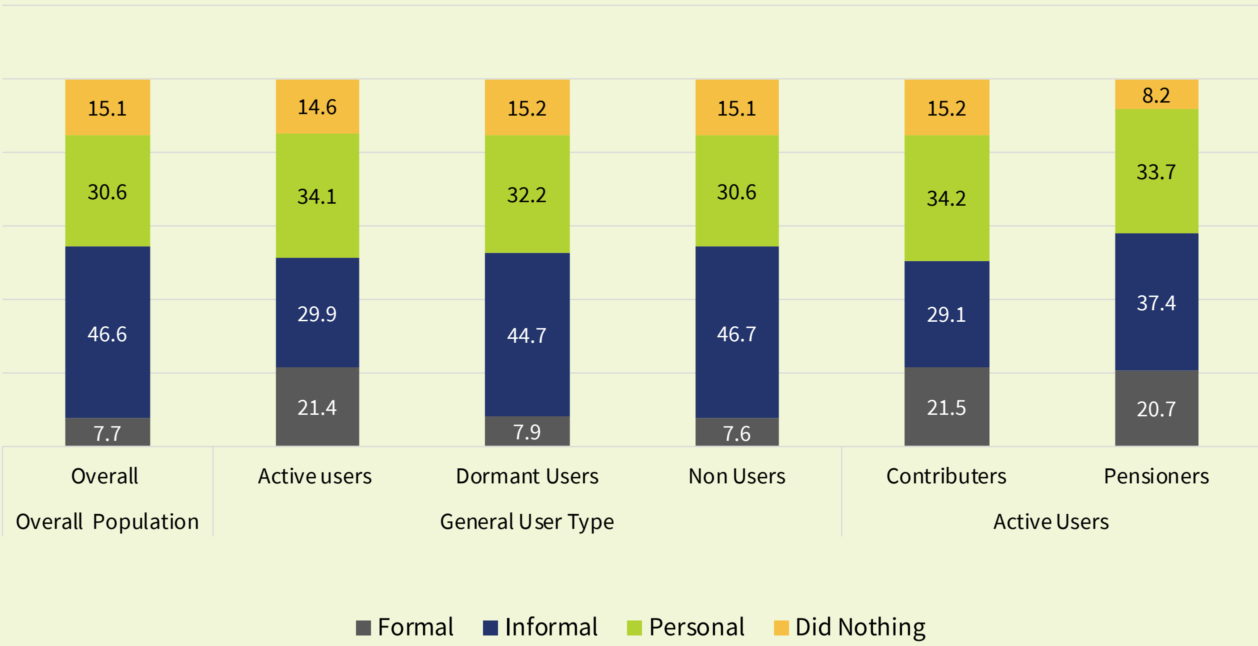


Figure 5.4: Investing in future among pension/retirement benefits users

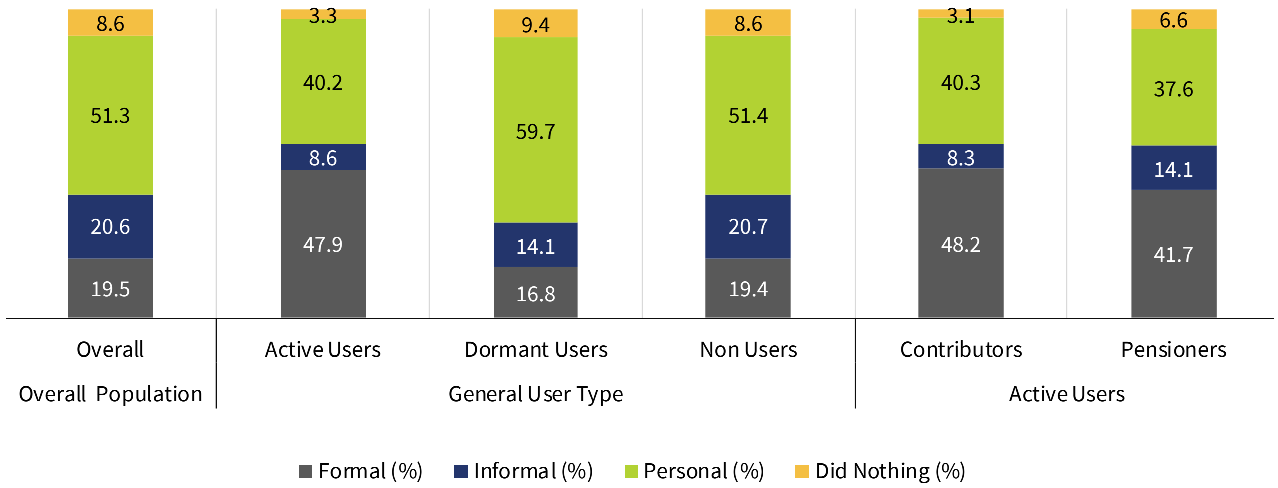
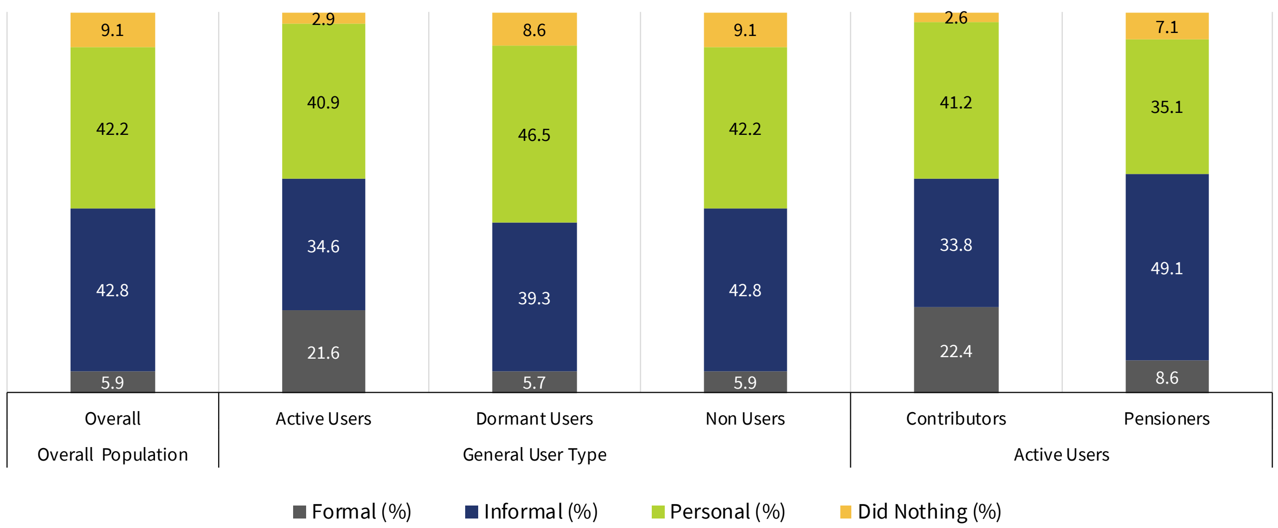


Figure 5.5: How pension/retirement benefits users meet day to day needs



To cope with various economic shocks, 37.4 percent of pensioners relied on informal methods, which is lower than the overall usage rate of 46.6 percent. Notably, a higher proportion of retirees (20.7 percent) used formal channels compared to the overall av-erage of 7.7 percent, suggesting better access to formal financial support among pen-sion recipients.

A similar trend is observed in investment funding methods, where 41.7 percent of pensioners utilized formal methods to fund their investments, significantly higher than the overall usage rate of 19.5 percent.

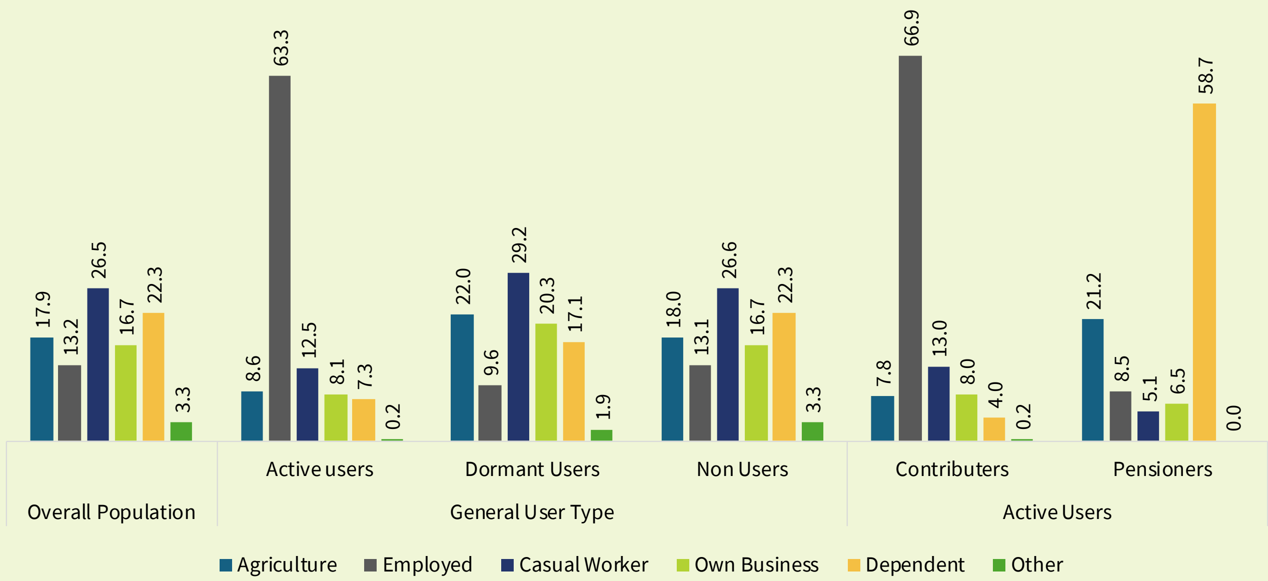
However, when it comes to meeting daily expenses, 49.1 percent of pensioners relied on informal methods, compared to 33.8 percent of active contributors and the overall average of 42.8 percent. This points to increased financial pressure among pensioners in meeting their day-to-day needs which calls for policies aimed at boosting pension adequacy.

5.3. Sources of Livelihood for pension/ retirement benefits users

A majority of pensioners (58.7 percent) rely on their pension as their primary source of livelihood, in contrast to active contributors, 66.9 percent of whom depend on employment income meaning that in most cases, pension directly replaces employment earnings for most employees. This highlights the significant reliance of retirees on pension benefits and underscores the importance of ensuring pension adequacy.

Additionally, 21.8 percent of pensioners depend on agriculture as a main source of income, emphasizing the vital role that farming plays in supporting the welfare of retirees.

Figure 5.6: Sources of livelihood for pension/retirement benefits users

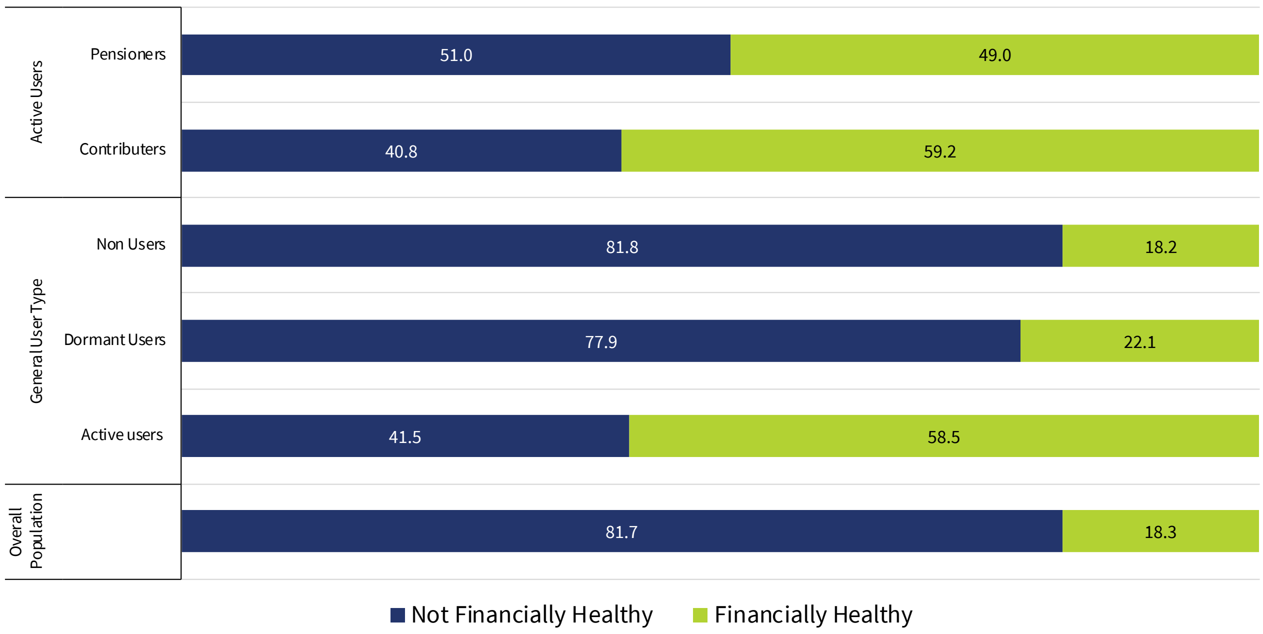


5.4. Financial Health of pension/ retirement benefits users

49 percent of pensioners were classified as financially healthy, a significantly higher rate than the overall rate of 18.3 percent, indicating that pension benefits play a crucial role in supporting retirees' financial well-being. Additionally, this disparity may be attributed to the fact that most pension savers were engaged in formal employment, which provided them with greater opportunities to accumulate assets during their working years. However, this figure represents a decline from the 59.0 percent of ac-tive contributors who are considered financially healthy, suggesting that approxi-mately 10 percent of individuals experience a drop in financial health upon retire-ment. This decline can largely be attributed to the low-income replacement ratio in Kenya.

Dormant members also face a heightened risk of reduced financial health, primarily because the most common cause of dormancy is job loss, which expectedly impacts an individual's financial health.

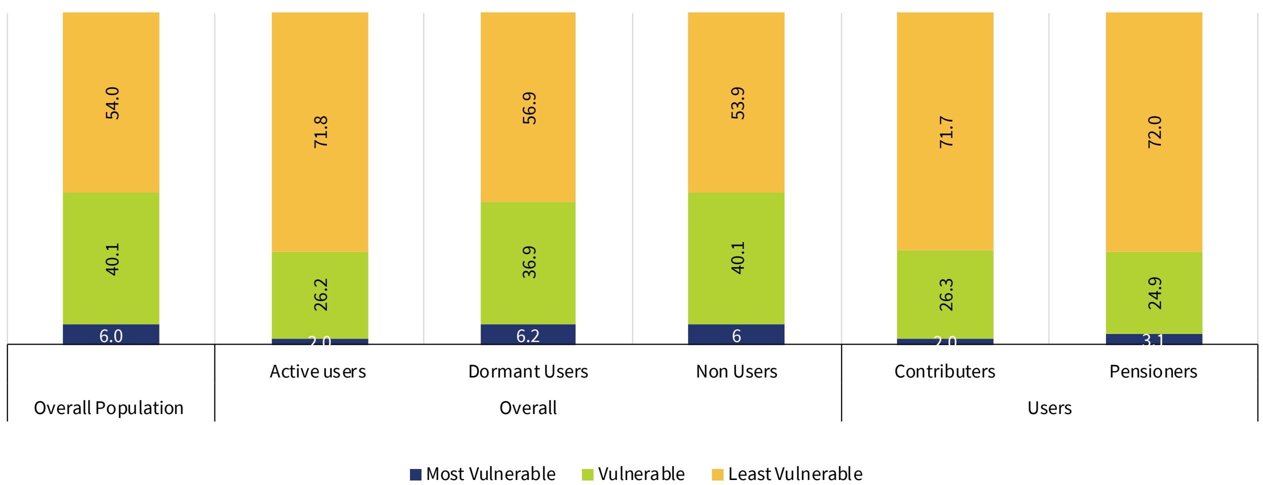
Figure 5.7: Financial health of pension/retirement benefits users



5.5. Social Impacts on pension/retirement benefits users

Only 3.1 percent of pensioners were classified as most food vulnerable, a lower rate compared to 6.0 percent among pension non-users. This suggests that pensions can serve as an effective tool in reducing extreme food vulnerability. However, 24.9 percent of pensioners were still considered somewhat food vulnerable, likely due to pension inadequacy, highlighting the need to strengthen benefit levels to better support retirees' basic needs.

Figure 5.8: Food vulnerability among Pension/Retirement Benefit users



Chapter 6

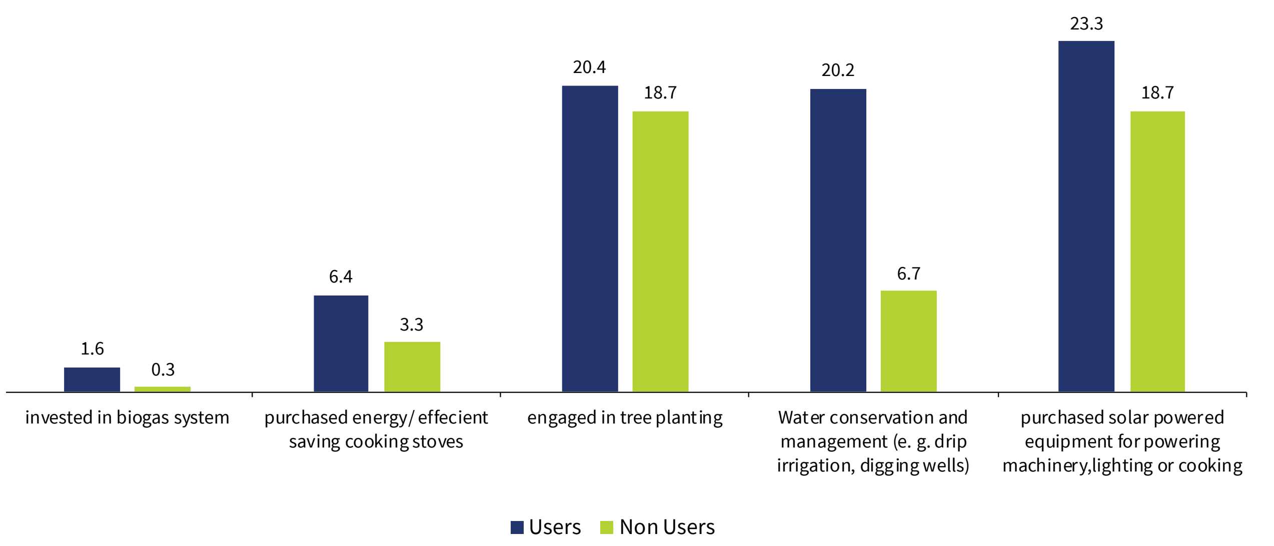
EMERGING ISSUES

6

6.1. Climate Related Impact

Climate investments span critical areas including solar-powered technologies, water conservation strategies, tree planting initiatives, energy efficient cooking solutions, and biogas systems. This section focused on analysing use of climate friendly initiatives among pension/ retirement benefits users..

Figure 6.1: Climate friendly initiatives among pension/retirement benefit users



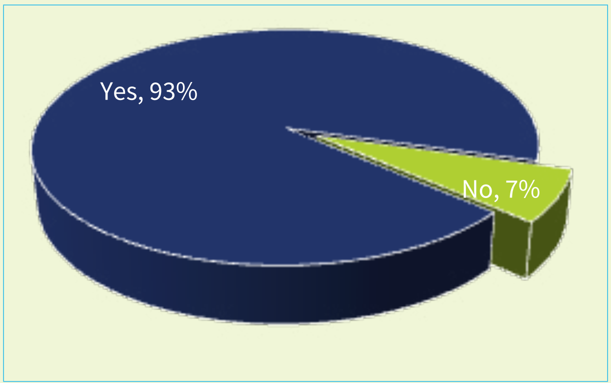
Pension users are more likely to engage in climate-friendly initiatives compared to non-users. For example, 23.3 percent of pension users reported purchasing solar equipment for powering machinery, lighting, or cooking, compared to 18.7 percent of non-users. Similar trends were observed in other areas such as water conservation and management, tree planting, adoption of energy-efficient cooking stoves, and investment in biogas systems.

These findings suggest that improved access to pension products may, in the long run, contribute to greater adoption of climate-friendly practices across different sectors..

6.2. Persons with Disability

A total of 925 respondents (18+ years) reported that they could not/ had a lot of difficulty in; seeing; even if wearing glasses, hearing; even if using hearing aid, walking or climbing steps, remembering or concentrating, self-care such as washing all over or dressing, and communicating using your usual language. Persons with disability are particularly vulnerable 93.0 percent of them were classified as financially unhealthy.

Figure 6.2: Persons living with disability financial health among pension/ retirement benefit us-ers

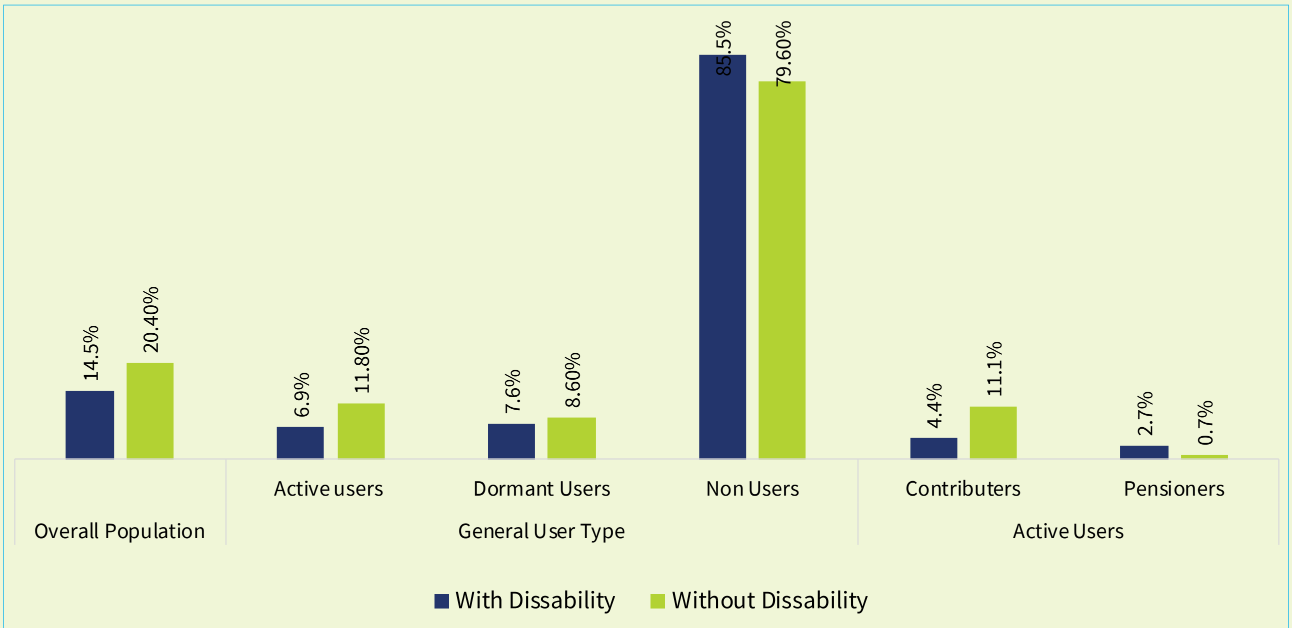


Data shows that persons with disabilities are significantly more excluded from pension access. While the overall pension access rate stands at 20.4 percent, it drops to just 14.5 percent among persons with disabilities. This trend is consistent across other indicators: for instance, only 6.9 percent of persons with disabilities have active access to pension products, compared to 11.8 percent in the general population. Additionally, just 4.4 percent of persons with disabilities are making active pension contributions, whereas this figure is 11.1 percent among the general population.

These disparities highlight the need for deliberate strategies to enhance pension access for persons with disabilities, who are among the most vulnerable groups. Expanding pension inclusion could significantly improve their financial security and overall well-being.

Interestingly, the proportion of persons with disabilities currently receiving pensions is higher—2.7 percent, compared to only 0.7 percent of the general population. This may be attributed to government-led cash transfer initiatives targeting older persons and persons with disabilities, such as the Inua Jamii program.

Figure 6.3: Persons living with disability usage of pension/retirement benefit users



Chapter 7

CONCLUSION AND POLICY RECOMMENDATIONS

FINACCESS SURVEY 2024
Retirement Benefits Sub-Sector Report

CONCLUSION AND POLICY RECOMMENDATIONS

7.1. Conclusion

The 2024 FinAccess Household Survey provided a rich data source for indicators relevant in tracking developments in the pensions sector. The survey is relevant in assessing the access, usage, quality and impact of pension services. It provides a platform to track changes in the pensions landscape driven by technology, policy changes, and demographic shifts.

From the survey findings, pension access in Kenya has significantly expanded from 3.9 percent in 2006 to 20.4 percent in 2024. Exclusion rates have also significantly reduced from 96.1 percent to 79.6 percent over the same period. This growth has been largely driven by strategic regulatory reforms aimed at increasing pension coverage. Key contributing factors include sustained pension awareness campaigns, enhanced oversight by the Retirement Benefits Authority (RBA), which has helped build public confidence in the sector, and improved investment guidelines that have led to better returns for scheme members. However, significant disparities persist, with higher exclusion rates observed among females, rural dwellers, individuals in the lower wealth quintiles, those without formal education, and persons with disability. These gaps highlight the need for targeted and inclusive strategies to enhance pension access among these underserved populations.

In 2024, the usage of pension products increased to 11.8 percent, up from 10.6 percent in 2021. This growth reflects a rising engagement with retirement savings, primarily driven by an increase in the use of NSSF at an overall usage of 11.4 percent up from 9.5 percent. Meanwhile, the uptake of occupational pension schemes stagnated at 1.5 percent over the same period. However, participation remains significantly lower among rural populations and individuals with lower levels of education. The primary reason cited for not using pension products is unemployment, highlighting the broader challenge of joblessness in the country. Additionally, lack of awareness remains a critical barrier, with 31.2 percent of non-users indicating they were unaware of available pension options.

The quality of pension and retirement benefits services in Kenya remains a critical factor in ensuring member satisfaction and long-term financial security. The results on quality of pension and retirement benefits services reveal several strengths as well as areas that need interventions. While the overall financial literacy among pension/retirement benefits users was moderate to high at 41.9 percent, reliance on informal financial methods and services by pensioners remains a critical concern that may indicate pension benefit inadequacy. This is further supported by results showing that 67.5 percent of pensioners indicated that the pension they were receiving was not adequate while 47.2 percent of contributors are worried that they will not have saved enough to meet their daily expenses upon retirement. This calls for measures aimed at improving pension adequacy such as benefit preservation, an intervention that 70.4 percent of pensioners supported. Consumer protection mechanisms show progress, with 89 percent of users understanding product terms, yet unresolved complaints (63.2 percent) reveal operational inefficiencies. Disparities persist across demographics with rural populations, women, and less-educated users face lower satisfaction and higher vulnerability to fraud or poor communication.

Pension services' impact reveals their critical role in safeguarding retirees' well-being. Health emerges as the top priority for 44.6 percent of pensioners, followed by education and housing needs, demonstrating how retirement benefits help address essential expenditures. However, the results noted some key vulnerabilities with 33.6 percent of retirees facing health-related shocks highlighting the need for encouraging uptake of post-retirement medical products. Although pensions serve as the primary livelihood for 58.7 percent of beneficiaries and reduce extreme food vulnerability (3.1 percent versus 6.0 percent for non-users), concerning gaps persist that are highlighted by 49.0 percent of pensioners still relying on informal means for daily expenses. There is also a 10.0 percent decline in financial health between active contributors and pensioners further emphasizes low-income replacement rates.

Lastly, Pension users adopt climate-friendly practices more than non-users. This suggests that the uptake of pension products may promote uptake of climate friendly initiatives. Combining pension policies with climate goals could have a positive impact on financial access and environmental benefits.

Overall, the survey indicates that access to pensions is increasing, while non-inclusion is decreasing, though disparities persist across different demographics.

7.2. Recommendations

1. Expand pension access and usage through:
    - Targeted awareness campaigns: Implement financial literacy programs focused on rural populations, women, and informal sector workers to address low awareness as a key barrier to pension access.
    - Tailor made products: Develop flexible, low-contribution pension prod-ucts for informal workers and low-income earners to bridge the gap in access (only 5.1 percent of the poorest quintile are covered vs. 36.5 per-cent of the wealthiest).
2. Enhance compliance to the NSSF Act of 2013: Strengthen monitoring of enrol-ment and contributions under the NSSF Act, 2013, given only 1.4 percent of businesses contribute to employee pensions despite legal requirements.
3. Promote uptake of Post-Retirement Medical Funds (PRMF) by scaling up PRMF uptake (currently 1.0 percent) to address retirees' top priority which is healthcare (44.6 percent cite it as their primary concern).
4. Enhance pension adequacy and boost income replacement rates through preservation of benefits by developing policies to restrict early withdrawals (supported by 53.4 percent of users and 70.4 percent of pensioners) to safeguard long-term savings. This in line with the National Retirement Benefits Policy, which identifies leakages from pension funds as a key contributor to pension inadequacy and recommends discouraging early access to benefits as a strategy to enhance retirement income security
5. Improve consumer protection and trust by improving complaint resolution timelines (63.0 percent of complaints raised within the last one year remain un-resolved. In addition, strengthen internal controls to address internal fraud (79.0 percent of all loss of pension money cases were because of internal fraud).
6. Enhance access for persons with disabilities (Access is only at 14.5 percent against an overall access of 20.4 percent) by developing targeted programs and policies that ad-dress their specific barriers and encourage active participation in pension schemes.

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