Enhancing Pension Awareness and Education in Kenya

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RETIREMENT BENEFITS AUTHORITY
Outline of Presentation

- Overview of Pension Awareness in Kenya
- Pensions Coverage
- Retirement Benefits Structure
- Challenges
- Public Education Campaign
- Pension Awareness Delivery Channels
- Way Forward
Overview of Pension Awareness in Kenya

- Low levels of pension awareness
- Language is a key barrier – pension subject not understood by ordinary people
- General lack of financial awareness – Impacts negatively on the general saving culture
- The four financial regulators (Central Bank, CMA, IRA and RBA) come up with joint collaboration to strengthen the growth of the Financial Sector
- Financial Education is one of the key areas of collaboration
- Joint Financial Education Campaign will:
  - Instill confidence in the financial sector
  - Inculcate a saving culture in Kenyans
  - Get retirement planning integrated into overall financial planning
Pensions Coverage

- Pension saving is a voluntary exercise
- No universal pension
- Approximately 3 million Kenyans mostly in formal employment (15% of workforce) are covered
- More than 80% (informal sector – “Jua Kali”) not covered
- **Efforts to reach out to the informal sector ongoing**
- Low replacement rates (20%) – People not saving enough to increase income replacement ratios at retirement
## Kenya’s Retirement Benefits Structure

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Civil Service Pension Scheme</strong></td>
<td>22%</td>
<td>- Non contributory &amp; Unfunded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Covers all service employees</td>
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<tr>
<td></td>
<td></td>
<td>- Exempted from Retirement Benefits Authority Supervision</td>
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<tr>
<td></td>
<td></td>
<td>- Legislated by Act of Parliament</td>
</tr>
<tr>
<td><strong>National Social Security Fund (NSSF)</strong></td>
<td>67%</td>
<td>- Provident Fund</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Contributory &amp; funded (both employee and employer)</td>
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<tr>
<td></td>
<td></td>
<td>- Accounts for 28% of total industry assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Covers all employers with 5+ employees</td>
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<td></td>
<td></td>
<td>- Regulated &amp; Supervised by RBA</td>
</tr>
<tr>
<td><strong>Private Occupational Schemes</strong></td>
<td>11%</td>
<td>- Contributory &amp; funded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Accounts for 70% of Industry Assets</td>
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<td></td>
<td></td>
<td>- Covers employees of the employer</td>
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<tr>
<td></td>
<td></td>
<td>- Regulated &amp; Supervised by RBA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Legally formed under trust deed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 1365 schemes (Estimated membership – 13,000)</td>
</tr>
<tr>
<td><strong>Individual Retirement Benefits Schemes</strong></td>
<td>0%</td>
<td>- Contributory &amp; funded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Open to all - formal &amp; informal workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Regulated &amp; Supervised by Retirement Benefits Authority</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Legally formed under trust deed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 16 Individual Retirement Benefits Schemes</td>
</tr>
</tbody>
</table>
The concept of retirement to many does not involve pension schemes – mainly involves savings for assets (house, land, cows etc)

Suspicion that scheme providers may collapse with members savings or may just refuse to allow them access to the savings

Employer’s responsibility to drive the pension agenda

No tangible benefits (Expected to change – new pension-backed mortgage product launched on 29th October 2009)

Retirement is too far away so why worry about it now?
Challenges

- Increase Coverage: require policy provisions (include elements of compulsion)
- Cultural orientation – Traditionally, the aged taken care of by the community
- Demystifying the pension subject
- Targeting: Informal sector, Youth segments, Members, Trustees, Public, Media
- Attitude change – Negative attitude towards retirement
- General lack of a saving culture among Kenyans – want access to savings
- Interference from Legislature (Parliament – Preservation Rule)
- Negative perception of the insurance industry and financial sector
- Prevailing economic situation
- Competition (Cooperatives, Investment groups, saving accounts, etc)
- Low levels of awareness on retirement benefits products
Consumer Awareness Survey Findings

- Dip-Stick Survey commissioned by RBA in March 2009 to ascertain the level of awareness on the importance of saving for retirement among Kenyans.

- The top most important items in any given month are:

  1. Rent
  2. Food
  3. Household Bills
  4. Transport
  5. Church offering
  6. Clothing
  7. Entertainment
  8. Saving

- Saving is not considered a priority and can be done without.
Public Education Campaign

- Developed Research – driven communication strategy
- Public Education Campaign is a major activity mounted by the Authority

Specific Objectives:

- Educate Kenyan workers on the need and benefits of saving for retirement and channels available for saving

- Illustrate to employers the benefits of starting retirement benefits schemes for their staff

- Educate existing members of retirement benefits schemes on their rights

- Educate the Kenyan public on the Role of RBA, positioning it as an honest, caring, and approachable partner

- Educate trustees on their role and responsibilities

- Educate Kenyan public on how to plan for retirement
Key Target Segments & Messages

Target Audience:
- Informal sector
- Youth
- Employers
- Scheme Members
- Public

Key Messages:
- RBA is a credible regulatory body
- Starting to save early will guarantee one a comfortable retirement
- You don’t need to have a lot of money to save for retirement

Elicited action:
- **Do**: Think about saving now - thus introducing the culture of saving
- **Feel**: Saving for retirement is for all workers in the formal and informal sector and is **not** a complicated exercise
- **Believe**: RBA is a credible and trustworthy organization that will safeguard members savings
Pension Awareness Delivery Channels

RBA’s Multi-faceted education campaign uses different interventions:

1. Multi-media campaign
   - TV, Print, Lifestyle Magazines, FM Radio Stations, etc

2. Trustee Seminars
   - Equip Trustees with skills to enable them improve administration of the schemes and compliance with the law

3. Retirement Planning Seminars
   - Equip members with investment and social skills to help them cope with life in retirement

4. Corporate Social Investment (Outreach)
   - RBA/Operation Ear Drop (OED) Hearing Conservation Programme
   - Joint promotional activities with Informal sector Associations

5. RBA Open Day (annual)

6. Exhibitions (Regional)

7. Roadshows (Regional)

8. Media Relations – Free Publicity
3rd Multi-media Question & Answer Campaign

Campaign launched on 12th March 2009 – activated until 30th June 2009

Channels: TV, Print, Lifestyle Magazines, FM Radio Stations

5 Key objectives:

- Educate Kenyan public on the role and mandate of RBA
- Provoke Kenyans to think and ultimately taking steps to save for retirement.
- Change public attitudes toward saving for retirement
- Ultimately, engage the public in an educative journey on saving for retirement and get them to take action and save
- Positively influence existing members of schemes
At NSSF, loose investment takes early retirement

In new rules issued by the RBA, independent fund managers will invest funds while custodians will protect members' money.

The Retirement Benefits Authority (RBA) has tightened its rules on how pension funds can invest their money to protect members' interests.

In a statement on Thursday, the RBA said the changes were made to ensure that pension funds, which are subject to the Retirement Benefits Authority Act, are managed in the best interest of members.

The changes come after a series of incidents where pension funds have invested in risky assets, leading to losses for members.

The new rules require pension funds to have a written investment policy that outlines how they will invest their money, and this policy must be reviewed at least once a year.

The RBA has also introduced new requirements for pension funds to ensure that they are adequately diversified, and that they have a clear strategy for managing their investments.

RBA chairman Professor Phil O'Connor said the changes were necessary to protect members' interests.

"We want pension funds to be focused on delivering strong returns for their members," Professor O'Connor said.

"We are concerned that some funds have been overly aggressive in their investment strategies, putting members at risk of losing money."
Trustee Training

RBA runs a Trustee training programme targeting individual trustees at no cost to schemes

Objective: To enhance the sector’s growth through improved governance.

- One day curriculum covering the following topics:
  - The general role & Responsibilities of Trustees
  - Compliance requirements
  - The role of Trustees in Investment of retirement Benefit Scheme assets
  - Taxation
  - National Insurance Hospital Fund products
  - Groups exercises

- Trustee training available to all schemes irrespective of compliance status
Trustee Training – cont’

Challenges:

- Basic Curriculum
- Not certified

Achievements:

- To date, over 1000 schemes with 2,611 trustees of the 1365 registered schemes have been trained (83%)
- Trustees equipped with basic skills to make prudent decisions

On-going initiatives:

- Trustee Training curriculum and certification programme being developed
- Plans are underway to introduce a Pensions Plan Administration curriculum in collaboration with Association of Retirement Benefits Schemes (ARBS) and College of Insurance
Retirement Planning Seminar

Objective:
- To equip members with investment and social skills to help them cope with life in retirement

Key Topics:
- Testimony from a retiree
- Benefits
- Time Management
- Attitudes to retirement
- Investment & Personal Financial Management
- Health Issues in retirement
Retirement Planning/cont’d

- Challenges
  - Reaching members too late (50 years and over)
  - Retirement stigmatized by society
  - Seminars conducted Quarterly (inadequate)

- Initiatives taken to address the challenges
  - Changed name from “Pre-Retirement seminar” to “Retirement planning seminar”
  - Opened up seminar to all younger members
  - Conducting more on-site training
Corporate Social Investment – CSI (Outreach)

Hearing Conservation Programme

- Joint collaboration between RBA, Operation Ear Drop (OED) and Informal sector (Kenya National Federation of “Jua Kali” Associations)

- **Objective:** Promote Ear and Hearing health and prevent Noise Induced Hearing Loss (NIHL) among industrial workers exposed to occupational noise; **Ultimately** sensitize them on the importance of saving for retirement

- **Reach** – Countrywide (6 million artisans)

- **Pilot:** ENT clinic launched in Kamukunji-Nairobi (25 – 29 May 2009). Over 700 artisans treated and sensitized

- **Roll out:** Country-wide programme from January 2010

Ear Cleaning Clinic at Kamukunji Open-air shed (Nairobi)
Artisans arrive

Pension talk by RBA team on the importance of saving for retirement (while waiting for registration)

Registration of the artisans

Ear, Nose and Throat examination

Ear syringing where indicated

Audiometric hearing assessments

Dispensing of earplugs

Dispensing of drugs where indicated and a health education talk – on Hearing Conservation
Follow up to the outreach programme

- Artisans were very receptive to Outreach programme. RBA used platform to convince them to start their own pension scheme

- **Pension Scheme**

  “Mbao” Pension scheme under registration – to be launched before end of 2009

- **Joint Promotional Activities (RBA/Informal Sector)**

  - Mount a country-wide joint sensitization campaign to educate members on the need to save for retirement
  - Leverage the informal sector’s network with Ministry of youth through the “Youth Fund” to target the youth country-wide
  - Partner with Regional FM Radio stations to disseminate pension messages
Exhibitions

- Retirement Benefits Open Day

An annual event that brings together the Regulator, Retirement Benefits Schemes Service Providers and the Public under one roof

Objective:

Educate Kenyans on the need to save for retirement, showcase pension products and respond to questions from the public

- ASK Shows – Authority exhibits at Regional shows

Objective:

- Provide a platform for RBA to meet the public, Educate them on the need and means of saving for retirement and Respond to their questions and complaints
7th Retirement Benefits Open Day - 23 Nov. 2009
Opportunities Summarized

**Media**
- Partner for sustained campaign
- Educate media on pension issues

**Targeting**
- Focus on females – drivers (more susceptible to Saving than Men)
- Informal Sector
- Target youth to inculcate a saving culture

**Messaging**
- Design direct and simple messages – “A little saving goes a long way – start early”

**Competition**
- Move funds from competition (savings accounts) to retirement schemes
- Leverage the new pension-backed mortgage product to demonstrate tangible benefits of pension saving to stimulate interest
Way Forward

- **Multi – Media Campaign: Phase 1** - Questions & Answer campaign’s objective: “to provoke Kenyans into thinking about saving for retirement” was achieved.

- **Phase II** – To get Kenyans to ultimately take steps to save for retirement – Refresh multi-media campaign to address the questions raised in first phase of activation

- **Target**: Youth; (Social network – Facebook, Curriculum) Informal sector ; (sensitization program) Employers; (job induction program) and Employees (retirement planning)

- **Other interventions**:
  - Vernacular **FM Radio** stations – Regional Reach
  - Influence Local **TV** Programming and Infomercials - Countrywide
  - **Print media** - Pension Columns
  - **Social media** (Face book)
  - **Digital screens** – supermarkets and food courts
  - **Road shows** (in collaboration with the informal sector)
Asante

Thank You