



**“Developing and Safeguarding
the Kenyan Retirement Benefits
Sector through commitment to
continued Excellence in
Service Delivery”**

Attitude and Behaviour relative to Long-term Saving and Protection: a Challenging policy priority

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RETIREMENT BENEFITS AUTHORITY

KENYA



Location:





Outline of Presentation

- Introduction
- Current status of Pension coverage and Replacement rate
- Attitude and Perception towards saving
- Policy Framework for Saving and Protection
- Challenges to saving for retirement
- Interventions
- Way Forward

Introduction: Kenya's Retirement Benefits Structure & Membership

The Civil Service Pension Scheme – 22%

- Non contributory & Unfunded
- Covers all service employees
- Exempted from Retirement Benefits Authority Supervision
- Legislated by Act of Parliament

Private Occupational Schemes – 11%

- contributory & funded
- Accounts for 70% of Industry Assets
- Covers employees of the employer
- Regulated & Supervised by RBA
- Legally formed under trust deed
- 1365 schemes (Estimated membership – 13,000)

National Social Security Fund (NSSF)-67%

- Provident Fund
- Contributory & funded (both employee and employer)
- Accounts for 28% of total industry assets
- Covers all employer with 5+ employees
- Regulated & Supervised by RBA

Individual Retirement Benefits Schemes-0%

- Contributory & funded
- Open to all - formal & informal workers
- Regulated & Supervised by Retirement Benefits Authority
- Legally formed under trust deed
- 20 Individual Retirement Benefits Schemes



Current status of Pensions Coverage and Replacement Rate

- Pension saving is a voluntary exercise – Need for compulsion
- Only 15 % of the workforce is covered (mostly in the formal sector)
- Plans underway to reach the more than 80 % (informal sector) that was not covered
- No universal pension – Pilot cash transfer programme targeting senior citizens (over 65 years)
- Low replacement rates (at 20%) – people not saving enough to increase income replacement ratios at retirement



Attitude and Perception towards Retirement

- The concept of retirement to many does not involve pension schemes– (mainly associated with 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
- Retirement is too far away so why worry about it now?
- Traditional social fabric - children take care of Parents/elderly
- Stigma associated with retirement - even dreaded. Considered not for the young and trendy



General Saving Culture

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

- Expenditure Priority:

1. Rent

5. Church offering

2. Food

6. Clothing

3. Household Bills and

7. Entertainment

4. Transport

8. Saving

- Saving is not considered a priority and can be done away with.



Policy Framework – moderating factor to saving and protection

- Legal framework put in place to protect the interests of the public – instilled confidence in the sector which has led to increased saving
 - Regulatory and Supervisory structures
 - Sensitization – members know their rights
 - Tax incentives



Challenges to saving for retirement

- Low levels of awareness on retirement benefits products
- Language barrier – financial jargon
- Low financial literacy among a majority of Kenyans – especially in the informal sector
- Finance “Taboo” subject – never discussed among most families
- Aversion to long term saving– want access to savings now
- Interference from Legislature (Preservation Rule)
- Negative perception of the insurance industry and financial sector
- Competition (Cooperatives, Investment groups, saving accounts, etc)
- No tangible benefit – need to incentivize retirement saving



Interventions:

- **Policy provisions**
 - Include elements Compulsion
 - Tax exempt (65 years)
- **Incentivize retirement saving**
 - Tax benefit
 - Mortgage Regulation
- **Education to Demystify the pension subject**
- **Penetration of the informal sector**



Pension Education campaigns

Multi-faceted campaign using different interventions:

Multi-media campaign

- TV, Print, Lifestyle Magazines, FM Radio Stations, etc

Trustee Seminars

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

Retirement Planning Seminars

- Equip members with investment and social skills to help them cope with life in retirement

Corporate Social Investment

- RBA/Operation Ear Drop (OED) Hearing Conservation Programme
- Joint promotional activities with Informal sector Associations

RBA Open Day (annual)

Exhibitions (Regional)

Roadshows

Media Relations – Sensitization Fora



Trustee Training Seminars

RBA runs a Trustee training programme targeting individual trustees at no cost to schemes to enhance the sector's growth through improved governance.

- One day curriculum covers 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
- Majority of participants are 1st-time participants
- To date, over 1000 schemes with 2,611 trustees of the 1300 registered schemes have been trained (83%)
- Trustee training available to all schemes irrespective of compliance status
- Trustee and Pensions professionals Training certification programme is being developed in collaboration with 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



Corporate Social Investment (Outreach)

Hearing Conservation Programme

- Joint collaboration between RBA, Operation Ear Drop (OED) and Informal sector (Kenya National Federation of “Jua Kali” Associations) – **which means “hot sun”**
- **Objective:** Promote 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 (over 8 million informal sector artisans)
- **Roll out:** Pilot programme launched in Nairobi and Kisumu with ENT clinic. Over 2,700 artisans have been treated and sensitized
- Country-wide sensitization campaign from end of 2010

Ear Cleaning Clinic at Kamukunji Open Air shed (Nairobi)





Penetration of informal sector

- “Jua Kali” (which literary means “working in the hot sun”) artisans have come together to form a unique pension scheme where members make contributions through mobile telephony systems (M-Pesa and Zap).
- This is a major milestone for the pensions industry considering that the scheme targets the Association’s membership of over 8 million artisans countrywide.
- So far the scheme has registered over 17,000 members within a span of six months.
- Scheme contributions have been set at a minimum target of Kshs.500 (US \$ 6.25) per month, which translates to Kshs20 per day (US \$ 0.25), hence the name ‘**Mbao**’ which symbolizes an old twenty shilling note.

Roadshows

- **Objectives:**
 - Raise awareness on the importance of saving for retirement and various pension products
 - Provide an interactive forum for RBA and the public to engage each other
- **Medium of communication**
 - Visual branding of truck and crew
 - Audio hype on truck
 - Music concert
 - Satire
 - Trivia
 - Fliers
 - On air support from FM Radio stations (live links, live interviews and brand talk ups)
- **Roll out: Country-wide**

RBA Roadshow truck go through the coastal city of Mombasa

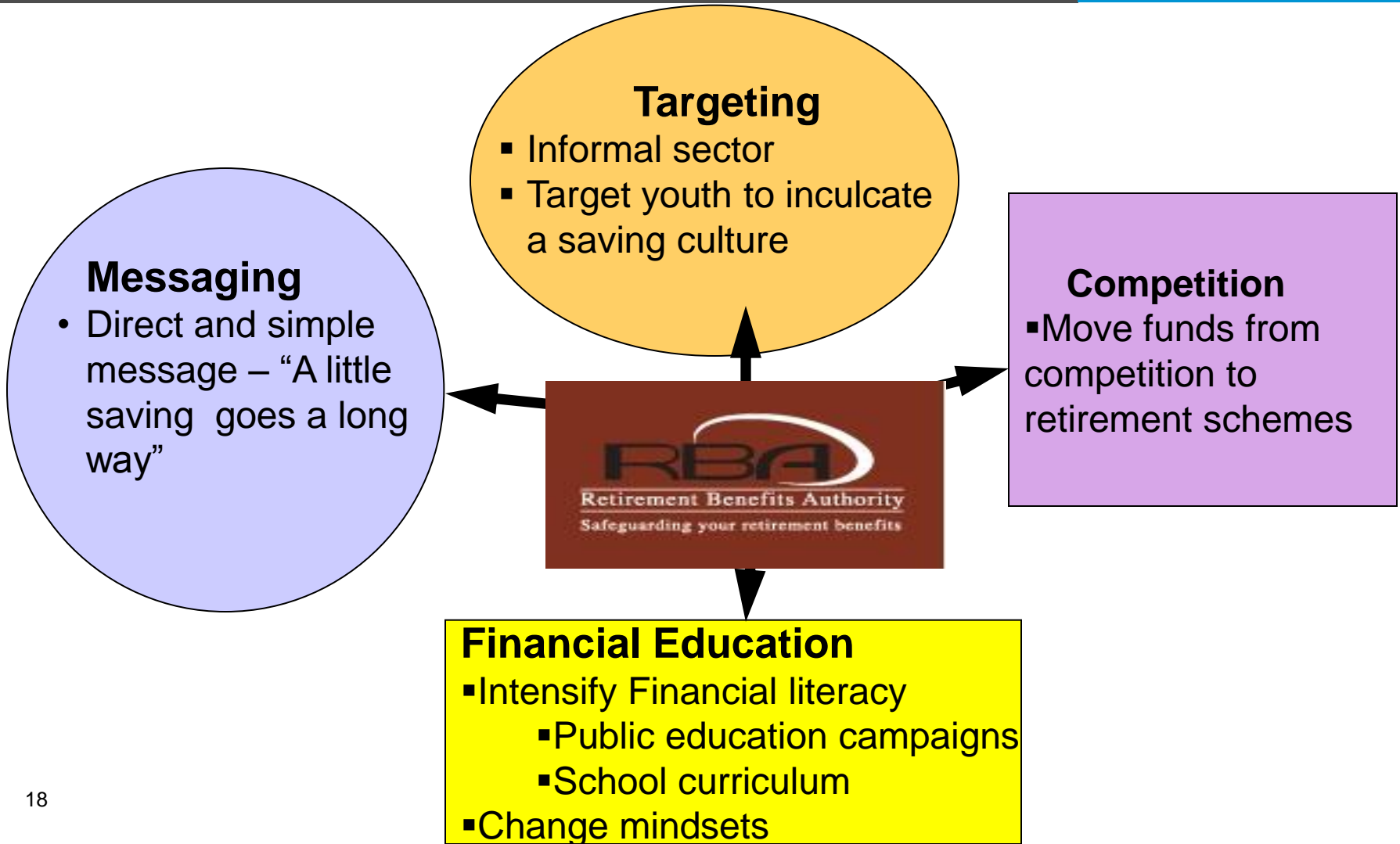




Way Forward

- Intensify Public education campaigns to increase awareness levels
 - Mass Media:
 - Vernacular FM Radio stations
 - Influence local TV Programming
- Lobby government for greater incentives
- Introduce financial literacy curriculum in schools to inculcate a saving culture in children
- Media partnerships through education fora to sensitize media on pension issues and enlist their support in disseminating pension messages

Opportunities Summarized





THANK YOU

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