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**REPORT**

**OF**

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**ON**

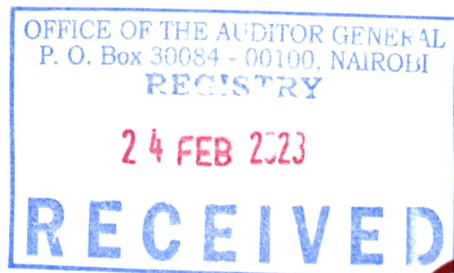
**RETIREMENT BENEFITS  
AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 21 MAR 2023	DAY: TUESDAY
TABLED BY:	Hon. SILVARIUS OJORO
CLERK-AT THE-TABLE:	MAJORITY PARTY WHIP IMZOTU MWALIS



10/10/11



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*RETIREMENT BENEFITS AUTHORITY*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2022**

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Authority is established under Section 3 of the the Retirement Benefit Act Cap 197. The Authority is domiciled in Kenya with its headquarters in Nairobi.

### **(b) Principal Activities**

The principal activities/mission/ mandate of the Authority are to:

- a) Regulate and supervise the establishment and management of retirement benefits schemes.
- b) Protect the interest of members and sponsors of retirement benefits sector.
- c) Promote the development of the retirement benefits sector.
- d) Advise the Cabinet Secretary, National Treasury on the national policy to be followed with the regard to the retirement benefits industry and implement all government policies relating thereto.

### **(c) Key Management**

The Authority's day-to-day management is under the following key organs:

1. Board of Directors
2. Chief Executive Officer
3. Management

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Chief Executive Officer	Mr. Nzomo Mutuku, MBS
2.	Acting Chief Executive Officer (with effect from 1 <sup>st</sup> March 2022)	Mr. Charles Machira
3.	Chief Manager Human Capital and Administration	Mr. Gordon Bulinda
4.	Chief Manager Legal and Board Secretary	Mrs. Praxidis Saisi
5.	Chief Manager Market Conduct	Ms. Anne Mugo, MBS
6.	Chief Manager Research and Strategy	Dr. Alfred Shem
7.	Manager ICT	Mr. Peter Ngunyi
8.	Manager Internal Audit and Risk Management	Mrs. Elizabeth Waruingi
9.	Manager Procurement & Supply Chain Management	Mr. George Ogwang
10.	Ag. Chief Manager, Supervision	Mr. Jackson Nguthu
11.	Deputy Manager and Ag. Head of Finance	Mr. Seth Odhiambo
12.	Senior Communications Officer	Mr. James Ratemo

## **(e) Fiduciary Oversight Arrangements**

### **Board Oversight Role**

In accordance with section 7 of the Retirement Benefits Act, the Board has the following powers necessary for the performance of its functions -

- a) control, supervise and administer the assets of the Authority in such manner and for such purposes as best promote the purpose for which the Authority is established.
- b) determine the provisions to be made for capital and recurrent expenditure and for reserves of the Authority.
- c) receive any grants, gifts donations or endowments on behalf of the Authority and make legitimate disbursements therefrom.
- d) enter into association with other bodies or organizations within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purpose for which the Authority is established.
- e) open a banking account or banking accounts for the funds of the Authority.
- f) invest funds of the Authority not currently required for its purposes in the manner provided in section 18 of the Retirement Benefits Act Cap 197.

### **Enterprise Risk Management**

The Retirement Benefits Authority (RBA) has embraced Enterprise Risk Management in both strategic and operational processes. Strategic Risk Management has been integrated as part of the strategy setting and implementation. In addition, the Board of Directors has taken the responsibility of ensuring that an appropriate Enterprise Risk Management Policy Framework is in place to identify, assess, manage, and monitor opportunities and threats faced by the Authority in achieving its objectives. These risks include legal and regulatory, reputational, political, operational, human capital, financial and technological risks that are inherent in the nature of the Authority's activities.

The Board has delegated the role of implementing risk management to the Management. They therefore ensure that both policy and practice of the Authority's risk management conforms to principles and guidelines issued by the National Treasury circular no. 3/2009. The Authority manages risk by ensuring that appropriate means, processes and tools, as well as control systems and people, are in place throughout the organization. Some of the key practices RBA has developed to manage risks include policies and procedures, regular environmental scans, integrated planning systems, financial and management reporting systems, as well as monitoring individual performance and business processes across key areas.

The design and effectiveness of the enterprise risk management policy framework, strategy and mitigation strategies is subject to ongoing review by the RBA's Internal Audit and Risk Management department, which is independent and reports on the results of its audits directly to the Board of Directors through the Board's Audit, Risk Management & Governance Committee.

The Board also remains very alive to the impact of external events over which the Authority has no control other than to monitor and, as the occasion arises, to provide mitigation. They have reviewed RBA's enterprise risk management policy framework and are satisfied that it was implemented effectively during the financial year ending 30<sup>th</sup> June 2022.

The Board in carrying out its role has delegated some of its oversight roles to the Audit, Risk Management & Governance Committee and the Finance & Administration Committee who then report on a regular basis to the Full Board for policy direction or action:

**(i) Finance and Administration Committee**

The role of the Finance and Administration committee is primarily to provide financial oversight for the Authority on behalf of the Board. Major roles include overseeing budgeting and financial planning, financial reporting, and monitoring of internal controls and accountability policies.

**(ii) Audit, Risk Management and Governance Committee**

The duties of the Audit, Risk Management & Governance Committee are outlined in the committee charter and the Public Finance Management Regulations. Responsibilities of the committee include:

- a) Overseeing the financial reporting and disclosure process.
- b) Monitoring choice of accounting policies and principles.
- c) Overseeing hiring, performance, and independence of the external auditors.
- d) Oversight of regulatory compliance, ethics, and whistle-blower hotlines.
- e) Monitoring the internal control process.
- f) Overseeing the performance of the internal audit function.
- g) Formulating risk management policies and practices with Management.

**(f) Headquarters**

Registered Office  
13<sup>th</sup> Floor Upper Hill Road  
Rahimtulla Tower  
P.O. Box 57733-00200  
Nairobi, KENYA

**(g) Contacts**

Tel: +254-20-2809000  
Fax: +254-02-2710330  
Mobile: +254-722509939  
Mobile: + 254-735-339132  
E-mail : [info@rba.go.ke](mailto:info@rba.go.ke)  
Website: [www.rba.go.ke](http://www.rba.go.ke)

**(h) Authority Bankers**

1. **KCB Bank**  
Milimani Branch  
NSSF Building, Bishop Road  
P.O. Box 48400-00100  
Nairobi, Kenya
2. **ABSA Bank Kenya PLC**  
Absa Headquarters,  
Off Waiyaki Way  
P.O. Box 30120-00100  
Nairobi, Kenya  
Tel: +254(0) 4254000
3. **NCBA Bank**  
NCBA Centre  
Mara and Ragati Road, Upper Hill  
P.O. Box 44599-00100 GPO  
Nairobi, Kenya  
Tel: +254202884444
4. **HF Group**  
Rehani House  
Kenyatta Avenue / Koinange Street  
P.O. Box 30088-00100  
Nairobi, Kenya

**(i) Independent Auditor**

Auditor-General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## THE BOARD OF DIRECTORS



**Mr. Victor Roy Pratt**  
**Chairman, Board of Directors**

Born in 1943, Mr. Pratt is the Chairman of the Board of Directors of Retirement Benefits Authority.

Mr. Pratt holds a bachelor's degree in Business Administration from Fairleigh Dickinson University, USA and has undertaken post graduate studies in Industrial Development at the Irish Management Institute in Dublin, Ireland.

Mr. Pratt has worked extensively in Africa, with Citibank, Liberia, and the African Development Bank (ADB) in Abidjan. Mr. Pratt has been promoting small business development, and he founded the Kenya Management Assistance Programme (K-MAP) in 1986.

Mr. Pratt has led numerous international business promotion initiatives under the auspices of United States Agency for International Development (USAID), Young Presidents Organization (YPO), United Nations Industrial Development Organization (UNIDO), Commonwealth Secretariat, Center for International Private Enterprise (CIPE) and United National Development Programme (UNDP).

Mr. Pratt is the founder of Continental Management Consultants Ltd. based in Nairobi, Kenya and African Management Associates (AMA). He has been retained as a Business Development Adviser by International Companies in the transport and telecommunications, energy, urban Development, housing and agricultural sectors. He has previously served as Chairman of Kenya Reinsurance Corporation.

Mr. Pratt retired from the Board of Directors on 31<sup>st</sup> May 2022.



**Mr. Nzomo Mutuku, MBS**  
**Chief Executive Officer**

Born in 1969, Mr. Mutuku, is the Chief Executive Officer of the Retirement Benefits Authority and an ex-officio member of the Board of Directors.

He holds a Master of Arts degree in Economics as well as a first-class honours Bachelor of Arts Degree (Economics) and is a Fellow of the Economists Society of Kenya.

Prior to his appointment, Mr. Mutuku had been seconded to the National Treasury & Planning as a Senior Adviser, Financial Sector and Acting Director, Financial and Sectoral Affairs Department. Previously he was the Chief Manager, Research & Development at RBA, and had worked with RBA since 2000 when he joined from the Central Bank of Kenya.

Mr. Mutuku has a wealth of experience in the operations and activities of the financial sector. He has undertaken training in pensions and financial markets in various countries

including the UK, Canada and USA at Harvard University and the Wharton Business School.

He was the founder Chairman of the Technical Committee on Collaboration between Financial Sector Regulators in Kenya and has authored a number of papers and made several presentations at international forums on issues relating to the retirement benefits industry. In September 2019, Mr. Mutuku was appointed as the Interim Chair of the African Pension Supervisors Forum (APSF). Mr. Mutuku's term was meant to end on 30th June 2022, he however unfortunately passed on 25th June 2022 before the end of his term.



**Mr. Charles Machira**  
**Ag. Chief Executive Officer**

Mr. Machira is the Chief Manager, Supervision from 2011 until his appointment as Ag. Chief Executive Officer effective 1<sup>st</sup> March 2022.

Mr. Machira has over 20 years' experience in the Insurance and Pension sectors. He has spearheaded the supervision of the Retirement Benefits schemes. He has been managing trustee of Policyholder Compensation Fund representing Retirement Benefits Authority. He holds a Master of Science and a Bachelor of Science.



**Mr. Joseph Z. Ngugi**  
**Alternate Director representing the Cabinet Secretary for the National Treasury & Planning**

Born in 1966, Mr. Ngugi is an Alternate Director representing the Cabinet Secretary for the National Treasury & Planning in the Board of the Retirement Benefits Authority.

Mr. Ngugi holds a Master of Arts Degree in Economics from the University of Nairobi and Bachelor of Arts in Economics & Sociology from Egerton University. Mr. Ngugi is currently the Senior Deputy Director, Directorate of Budget, Fiscal & Economic Affairs at the National Treasury & Planning. He previously worked with the Ministry of Planning & National Development. He is also a member of the Board of Directors of Kenya Vehicle Manufacturers. Previously he was a member of Board of Trustees of Coffee Development Fund and Director in the Board of the Kenya Trade Network Agency.



**Mr. Edwin C. Rotich**  
**Independent Director & Chairman, Audit Risk Management and Governance Committee**

Born in 1978, Mr. Rotich was appointed to the Board of the Retirement Benefits Authority on 21<sup>st</sup> December 2018 and retired on 18<sup>th</sup> December 2021.

He holds a Master of Business Administration degree from the University of Manchester and a Bachelor of Commerce Degree (Accounting Option) First Class Honours, from Kenyatta University. He is currently undertaking his doctoral studies in Business Administration (Finance Option) at the Jomo Kenyatta University of Agriculture & Technology.

Mr. Rotich is a finance executive with extensive experience in leading strategic organizational aspects of financial and operations systems development. He is currently a member of the County Executive Audit Committee, County Government of Elgeyo Marakwet and a Director at Royal Paedro Limited. He has previously served in the Board of the Agricultural Finance Corporation, and held senior management roles in Relief International, Somalia, War Child Holland/South Sudan, Royal Paedro Limited, Inter-Church Organization for Development Cooperation and World Vision Kenya.



**Wyckliffe M. Shamiah**  
**Director & Chief Executive, Capital Markets Authority**

Born in 1969, Mr. Shamiah is the Chief Executive of the Capital Markets Authority.

Mr. Shamiah holds a bachelor's degree in Economics and Mathematics from Egerton University and a Masters' Degree in Business Administration (Finance) from the University of Nairobi. He has worked at the Capital Markets Authority for over 22 years in various capacities.

Mr. Shamiah is an alumnus of the US International Visitors Program and an Associate of Toronto Leadership Centre. He has also been the Chairperson of TC 68 (Financial Services Technical Committee) of Kenya Bureau of Standards (KEBS). He was awarded a certificate of completion for the SMREA Program, March 2018, Harvard University, John F. Kennedy School of Government, Executive Education.

He is the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators Forum (EASRA). He also sits on the Financial Stability Board Regional Group of Sub-Sahara representing Kenya and the capital markets.

Mr. Shamiah is a Fellow of the Institute of Certified Public Accountants of Kenya. He is a Director in the Board of the Insurance Regulatory Authority as well as the Vision 2030 Delivery Board.



**Mr. Godfrey K. Kiptum, MBS**  
**Director & CEO and Commissioner of Insurance, Insurance Regulatory Authority**

Born in 1970, Mr. Kiptum is the Commissioner of Insurance & Chief Executive Officer. Prior to his appointment, he was the Authority's Chief Manager for Human Capital and Administration - a position he held for 10 years and implemented various Human Resource Systems and Processes.

He sits on the Board of the Policyholders Compensation Fund. He is also a Trustee of the Insurance Training and Education Trust and a member of the Executive Committee of the International Association of Insurance Supervisors.



**Dr. Margaret M. Makumi**  
**Independent Director & Chairman, Staff Welfare Committee**

Born in 1962, Dr. Makumi was re-appointed to the Board of the Retirement Benefits Authority on 6<sup>th</sup> October 2021.

Dr. Makumi is a medical Doctor and holds a Bachelor of Medicine and Bachelor of Surgery Degrees as well as a Masters' Degree in Public Health.

Dr. Makumi has over 20 years of experience in health and development projects and institutional strengthening. She has held leadership positions in Ministry of Health programs and donor funded health and population projects.

She has represented the Ministry of Health in negotiations with donors such as USAID, UNFPA, the World Bank, WHO, KFW, GIZ, SIDA, DANIDA and the Global Fund. She has contributed to Kenya's National Health Sector Strategic Plans, policies, guidelines, and training.



**Margaret Gaitirira**  
**Independent Director and Chair Audit Risk Management and Governance Committee**

Margaret Gaitirira was appointed to the board on 6<sup>th</sup> October 2021. She is an experienced banking professional, a human resource consultant and a qualified court accredited mediator and arbitrator. She is a lead consultant for LISAM Consultancy, which builds capacity in banking, finance, development and implementation of strategic plans and corporate governance fields. She has been the head of the banking and financial services consultancy division of

Manpower Services Group where she oversaw managing, recruiting, training, and driving all services in the banking and financial industry. Margaret was also a senior bank manager at KCB Bank (K) Ltd. for over 20 years, where she was charged with developing and implementing major strategic plans. Margaret has a Master of Arts degree from Ohio University, a Bachelor of Arts Degree from the University of Nairobi, a Certificate in Mediation and Arbitration from the Chartered Institute of Arbitrators, A Certificate in Counseling Psychology from the Kenya Association of Professional Counselors, and a Diploma in French from Centre d'Approches Vivantes des Langues et des Médias (CAVILAM) in Vichy, France.



**Dr. James Kiprop Chelang'a (PhD)**  
**Independent Director**

James Kiprop Chelang'a (PhD) was appointed to the board on 6<sup>th</sup> October 2021. He is a Senior Lecturer in the Department of History, Political Science and Public Administration at Moi University. He was formerly the Head of the Department of Government and Public Administration and former Head of the Department of Natural Resources at Moi University. He is currently the Chairman of the Centre of Public Sector Reforms at the same University. He is also the Co-Chair of the UN Sustainable Development Solutions Network- Kenya. Dr. Chelang'a has a PhD degree in Environmental Studies (Human Ecology) of Moi University, MSc degree in Human Resource Management (University of Manchester), BA degree in Public Administration, Sociology and Economics (University of Rajasthan) and Diploma in Social and Political Science (Claver House Social Institute, UK). He has wide experience in teaching, research and publishing, and community extension



**Mrs. Praxidis Saisi**  
**Board Secretary & Chief Manager, Legal Services**

Born in 1967, Mrs. Saisi is the Board Secretary & Chief Manager, Legal Services at the Retirement Benefits Authority from 2<sup>nd</sup> January 2017. Mrs. Saisi is an Advocate of the High Court of Kenya and a Certified Secretary. She holds a Master of Laws degree from the University of Essex, United Kingdom, a Bachelor of Laws degree from the University of Nairobi and a postgraduate Diploma in Law from the Kenya School of Law. She also holds an Executive Master of Business Administration degree from United States International University-Africa. She is a member of the Institute of Certified Secretaries of Kenya and the Law Society of Kenya.

## MANAGEMENT TEAM



**Nzomo Mutuku, MBS**  
**Chief Executive officer**

Nzomo Mutuku, MBS is the Chief Executive Officer of Retirement Benefits Authority since July 01, 2018, he also served as the Acting Chief Executive Officer of the Authority from May 01, 2017. Prior to his appointment, Mr. Mutuku worked at the National Treasury as the Senior Advisor, Financial Sector and Acting Director, Financial and Sectoral Affairs Department, working on policy matters relating to financial sector development including financial inclusion, efficiency, and stability. Previously he was the Chief Manager, Research & Development at the Retirement Benefits Authority and has also worked in the Research Department of the Central Bank of Kenya.

Mr. Mutuku holds a Master of Arts degree in Economics as well as First Class honours Bachelor of Arts (Economics) degree from the University of Nairobi, a Certificate in Digital Money from Tufts University and is a Fellow of the Economists Society of Kenya. He has also undertaken training in pensions and financial markets in various countries including the UK, Canada, Harvard University, and the Wharton Business School in the United States. He has authored several papers on financial sector issues, which are widely quoted in the region. In September 2019, Mr. Mutuku was appointed as the Interim Chair of the African Pension Supervisors Forum (APSF). Mr. Mutuku's term was meant to end on 30<sup>th</sup> June 2022, he however unfortunately passed on 25<sup>th</sup> June 2022 before the end of his term.



**Mr. Charles Machira**  
**Ag. Chief Executive Officer**

Mr. Machira is the Chief Manager, Supervision from 2011 until his appointment as Ag. Chief Executive Officer effective 1<sup>st</sup> March 2022.

Mr. Machira has over 20 years' experience in the Insurance and Pension sectors. He has spearheaded the supervision of the Retirement Benefits schemes. He has been managing trustee of Policyholder Compensation Fund representing Retirement Benefits Authority. He holds a Master of Science and a Bachelor of Science.



**Anne K Mugo, MBS**  
**Chief Manager, Market Conduct**

Anne is the Chief Manager, Market Conduct and has served RBA for over twenty (20) years, including thirteen (13) years on secondment as the Pensions Secretary/Director of Pensions at the National Treasury. Before joining the RBA, Anne was an investment manager at Standard Chartered Bank, Genesis Kenya (now GenAfrica) and ICEA Lion.

At the National Treasury, Anne spearheaded public sector pension reforms and served alternate Director to the Cabinet Secretary in the National Oil, Brand Kenya, Housing Finance, Commission for University Education, Kenya Sugar and NACADA Boards. In December 2008, the President honored Ms. Mugo with a *Moran of the Burning Spear (MBS)* in recognition of the pension reforms.

Anne holds an MBA (Finance) from the city, University of London (*Chevening Scholar*) and a BCom (1<sup>st</sup> Class Hons) from the University of Nairobi. She is an Associate of the Chartered Insurance Institute (ACII) and certified as a Chartered Insurance Practitioner, Corporate Director (IOD), Trustee (TDPK) and in commercial French (FCCI, Paris). She is a corporate governance trainer and sits on the Examinations Council of the College of Insurance. She is a member of the Institute of Directors (IOD), Chevening Scholars Association of Kenya and Nairobi Baptist Church.



**Mr. Gordon Bulinda**  
**Chief Manager, Human Capital Development and Administration**

Mr. Bulinda is the Chief Manager, Human Capital Development and Administration since July 2010. Prior to his appointment, he worked as General Manager, Human Resources and Administration at Mabati Rolling Mills Ltd, Group Human Resources Manager at Crown Berger (K) Ltd in Nairobi; Personnel Services Manager and Training

Manager at the Pyrethrum Board of Kenya. He started his career at Braeburn School, Nairobi as an Administrative officer.

He holds an MBA, specializing in Human Resources Management, from Egerton University, Kenya and a Bachelor of Education in Arts from Kenyatta University. He also holds a Higher National Diploma in Human Resource Management awarded by the Kenya National Examinations Council and the Institute of Personnel Management (Kenya). He is currently pursuing PhD, Human Resources Management at the University of Nairobi.

Mr. Bulinda is a Balanced Scorecard Master Professional, awarded by the George Washington University, USA. He is a Fellow of the American Academy of Project Management (FAAPM), Associate Member of the Society of Human Resource Management (SHRM) and a Full member of the Institute of Human Resources Management of Kenya (IHRMK).



**Dr. Alfred Ouma Shem**  
**Chief Manager, Research and Strategy**

Dr. Alfred Ouma Shem is the Chief Manager and Head of Research & Strategy Department from April 2014. He previously was Manager and Head of Financial Access and Inclusion Section of the Financial Inclusion & Stability Division in the Research & Policy Analysis Department of the Central Bank of Kenya (CBK); Policy Analyst at the Kenya Institute for Public Policy Research & Analysis (KIPPRA); Senior Lecturer

of Economics at Moi University; a Lecturer of Economics at Egerton University; and a Research Fellow at the Institute for Development Studies of the University of Nairobi.

Dr. Shem holds a PhD in Economics from University of Cologne, Germany, Master's degree in Economics and Bachelor's degree in Economics & Business Studies from Kenyatta University. He has published widely on issues of financial economics particularly on Financial Inclusion and Microfinance, Monetary Economics, Social Policy, Financial Stability and Pension issues among others. He is a founding member of the Alliance for Financial Inclusion (AFI) Data Inclusion Working Group (FIDWG). Dr. Shem also holds a certificate of proficiency in the German language.



**Mrs. Praxidis Saisi**  
**Board Secretary and Chief Manager, Legal**

Mrs. Saisi is the Board Secretary & Chief Manager, Legal Services at the Retirement Benefits Authority from 2<sup>nd</sup> January 2017. Prior to her appointment, she was the Company Secretary & General Manager, Legal Affairs at Geothermal Development Company. She worked as Manager, Legal & Corporate Affairs at the Kenya Rural Roads Authority and before that as Company Secretary at Kenya Wine Agencies Limited. Mrs. Saisi started her career as a Magistrate with the Judiciary.

Mrs. Saisi is an Advocate of the High Court of Kenya and a Certified Secretary. She holds a Master of Laws degree from the University of Essex, United Kingdom, a Bachelor of Laws degree from the University of Nairobi and a post graduate Diploma in Law from the Kenya School of Law. She also holds an Executive Master of Business Administration degree from the United States International University-Africa. She is a member of the Institute of Certified Secretaries of Kenya and the Law Society of Kenya.



**Elizabeth T. N. Waruingi**  
**Manager, Internal Audit and Risk Management**

Elizabeth is the Manager, Internal Audit and Risk Management since September 2010. Prior to her appointment, she served as Manager, Internal Audit at Water Sector Trust Fund (WSTF) and International Livestock Research Institute (ILRI) as the Senior Internal Auditor. She started her career at KPMG. She holds a master's degree in Business Administration - Special emphasis on Strategic Management and Finance and a Bachelor of Arts degree in economics, business studies and mathematics.

She is a Certified Public Accountant - CPA (Kenya), Awarded the Best Lady Candidate in September 2000 sitting, section six and third in the country. She is a Certified Internal Auditor, CIA (USA), Certified Information Systems Auditor, CISA (USA) and a Certified Risk Management Assurance Professional - CRMA (USA).

She is a member in good standing of the Institute of Certified Public Accountants (K), the Institute of Internal Auditors (USA) and Information Systems Audit & Control Association (USA).



**Mr. George Ogwang**  
**Manager, Procurement and Supply Chain**

George is the Manager, Procurement and Supply Chain since 2016. Previously he worked as Deputy Director, Procurement & Supply Chain Management at Kenya Electricity Generating Company (Kengen); Logistics Manager, NCR Corporation Africa in charge of Downstream and Upstream Logistics for Africa in charge of; Egypt, Morocco, Tunisia, Zimbabwe, Ivory Coast, Ghana, Nigeria, Zambia, and Kenya.

He holds an MBA, Procurement and Supply Chain Management from the University of Nairobi and a First-Class Honours Bachelor of Commerce Degree majoring in Accounting, Finance and Procurement. He holds Diploma in Procurement and Supply Chain Management from the Chartered Institute of Purchasing, and Supplies (UK) and a Higher National Diploma in Supplies Management administered by Kenya National Examination Council (KNEC).

He is a member of Kenya Institute of Supplies Management (KISM) and Chartered Institute of Purchasing and Supplies (UK).



**Mr. Peter K Ngunyi**  
**Manager, Information Communication Technology**

Mr. Ngunyi is the Manager, Information Communications Technology. He joined the Authority as a senior ICT officer and rose through the ranks to the current position, which he has held since 2016. Peter has a wealth of experience in systems development and implementation, project management and data analytics.

He holds a Master's degree in Information Systems with special emphasis in IT security and databases, MBA in Innovation Entrepreneurship from USIU-A and a First-Class Honours Bachelor of Commerce degree in ICT from the University of Nairobi. He also holds a Higher Diploma in ICT.

He is a Microsoft Certified Systems Engineer (MCSE), Certified Information Systems Auditor - CISA (USA), a Certified PRINCE2 (Projects in Controlled Environments) Practitioner (USA), a Certified Business Resilience Auditor (CBRA, USA), Certified Business Resilience Manager (CBRM, USA) and a Certified Knowledge Manager, Basel. He is a Fellow of Computer Society of Kenya.



**Mr. Jackson Nguthu**  
**Ag. Chief Manager Supervision**

Jackson is the Ag. Chief Manager, Supervision Department having been appointed effective 1<sup>st</sup> March 2022. Prior to his appointment, Mr. Nguthu has served in the Authority for the last 14 years in various positions culminating to the most recent position of Manager, Supervision held for the last eight (8) years. Previously, he had worked in the Pension Sector having held the position of Head of Portfolio Administration for six (6) years at AIG Investments (E.A) Ltd, which has changed to its current name of Sanlam Investments (E.A) Ltd.

Mr. Nguthu holds a Master's in Business Administration (Finance) and Bachelor of Commerce (Finance) both from the University of Nairobi. He is also a member of ICPAK in good standing. He has undertaken several trainings in pensions management and leadership with both regional and international trainers and training institutions like ESAMI, University of Stellenbosch - South Africa, and World Bank.



**Mr. Seth O. Onyango**  
**Deputy Manager, Finance and Ag. Head of Finance**

Mr. Onyango is the Deputy Manager, Finance currently performing the duties of Chief Manager, Finance since July 2019. He joined the Authority in January 2018.

Previously he worked at the National Treasury and Planning in various departments including The Accountant Generals; Government Investment and Public Enterprises; Intergovernmental and Fiscal Relations and District accountant Kisii central District Treasury. In 2013, he worked as the Head of Treasury (Accounting) at the Nyamira County Government on secondment from the National Treasury to set up the accounting systems for the new entities.

He also holds an MBA in Finance from the University of Nairobi and a bachelor's degree in Business Management from Moi University. He is a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants (Kenya)



**Mr. James Ratemo**  
**Senior Corporate communication and Ag. Head of Corporate communication**

Mr. Ratemo joined the Authority in 2018 as Senior Corporate Communication Officer and is currently the Acting Head of Corporate Communications.

He has over 10 years' experience in Journalism and Communication having previously worked as Head of

Communications at Media Council of Kenya, Digital Media Trainer at Internews Kenya, Journalist & Online Editor at Nation Media Group and Print Journalist & Online Sub Editor at Standard Media Group.

He holds a master's degree in Communication Studies from the University of Nairobi and a Bachelor of Arts Degree in Communication and Media Technology from Maseno University. He is currently pursuing PhD in Communication and Information studies at the University of Nairobi. He is a certified digital media specialist and trainer having studied at the International Institute for Journalism in Germany, Internews Kenya Network and Commonwealth Press Union (UK). He is a member of the Public Relations Society of Kenya and an accredited journalist by the Media Council of Kenya. He is also a mentor in the Presidential Digital Talent Programme.

## CHAIRMAN'S STATEMENT



### Introduction

On behalf of the Board of Directors, I am pleased to present the annual report comprising the financial statement of Retirement Benefits Authority (RBA) for the financial year 2021/2022 that commenced on 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022.

### Operational Context

At the start of the year, global economies were gradually recovering from the adversity of the Covid-19 pandemic, but its aftermath is still evident as countries deal with economic stagnations, abrupt shifts in markets and debt crises while some employers scale back their workforce and others change terms of engagement of its employees, a pointer to the drastic changes in the labour market structures and its associated effect on retirement planning by workers. In the latter part of the financial year, the heightened instability arising out of the invasion of Ukraine by Russia in February 2022 induced a global cost-of-living crisis due to upsurge in energy and food prices as the two warring countries are major global producers of crude oil, wheat, fertilizer, sunflower and vegetable oil. The geopolitical tension also triggered economic shocks with high volatility in trade and investments space. The war persists though its scale has diminished and there is hope that a peace deal can be brokered with concerted effort from leading global organizations and developed countries.

In Kenya, the economic recovery was considerable as the real Gross Domestic Product (GDP) is estimated to have grown by 7.5% in 2021 compared to contraction of 0.3 in 2020 with education, tourism, accommodation and food service sectors affected heavily by the pandemic growing faster. The global and domestic events have impacted the retirement benefits sector. Notably, there has been a resumption of pension contributions to retirement benefits schemes by several employers who had previously sought for a suspension due to the pandemic. However, the events in the latter part of the year manifested a potential erosion of disposal income forcing some of the members to reduce their pension contributions and similarly short-term reduction in value of assets held by the schemes due to capital flights by foreign investors that may have weakened in the short-term the valuation of mostly the assets floated in the domestic securities exchange. We expect a turnaround soon since pensions investments take on a long-term perspective.

### Achievement & Challenges

The board of directors continue to oversee implementation of the fifth strategic plan of the Authority for the period 2019 to 2024 with the overarching goal being achievement of 30% pension coverage with an asset base of Kshs. 2.4 trillion by 2024. During the period, the industry asset grew by 2.43 percent from Kshs. 1.48 trillion as at 30<sup>th</sup> June 2021 to Kshs. 1.514

trillion as at 30<sup>th</sup> June 2022 even though the pension coverage remained at 22% of the labour force. The major impediment in the stagnation of pension coverage can be attributed to the structure of the labour force with an estimated 83% of employees in the informal sector as per the economic survey 2022 report.

I expect the ratification of the draft National Retirement Benefits Policy by the Cabinet after conclusion of public participation by our parent ministry (National Treasury & Planning) will streamline and unlock the pension coverage conundrum more so in the informal sector. I urge the reader of this report to refer to the chief executive officer' report and statement of performance against predetermined objectives that provides a comprehensive report and expounds on the accomplishments and challenges in execution of our strategic plan during the financial year.

To appreciate future dynamics of the sector, the Board instituted a mid-term review of the strategic plan to assess the progress made to achieve the set targets, areas of improvements, contextualize recent and prospective changes in the operating environment and correspondingly modify the strategy for the remaining part of the strategic planning cycle.

### **Changes in Board and Management**

During the year, several changes in the Board of Directors and management team of the Authority. At the board level, I was appointed to replace the outgoing chairman. Mr. Edwin C. Rotich also exited the Board while Ms. Margaret Gaitirira, Dr. James Chelanga and Mr. Hussein Alinoor Ibrahim were appointed to the Board. We thank the outgoing directors for their exemplary service and equally look forward to working with the new directors in pursuit of our vision.

Sadly, at the management level, the outgoing Chief Executive Officer (CEO), the late Mr. Nzomo Mutuku passed away on 25<sup>th</sup> June 2022 while on an official trip to the United Kingdom. Mr. Mutuku was one of the pioneers and a key member of the secretariat established under the National Treasury that was tasked with the responsibility of drafting the Retirement Benefits Act and Regulations. During his tenure, the Authority managed to garner innumerable achievements and accolades and we trust his legacy will live and act as a pedestal to steer the Authority to greater heights. May his soul rest in eternal peace. The Board has appointed Mr. Charles Machira as the acting CEO, who prior to his appointment was the Chief Manager Supervision to lead the management team. We wish him well in his new role and promise our unwavering support.

### **Outlook**

In the coming year, our focus is clear and remains the enrolment of the informal sector workers in pension arrangement and growth of asset base. We expect to do this by continuing to regulate and supervise the industry through enforcement of legislative framework and create a conducive environment that permit innovation and collaboration whilst continuing to sensitize and conduct outreach programs. I am optimistic that the aforesaid will yield new opportunities and open new frontiers with mutual benefits to the Authority and the retirement benefits sector players and will greatly assist the Authority in

discharging the noble mandate of safeguarding, supervising and developing the retirement benefits sector in Kenya.

### **Appreciation**

As I conclude, I sincerely thank my fellow directors, the management team and staff of RBA together with all our stakeholders, who have supported the Authority in this year and look forward to their support in the future as we strive to fulfill our mandate.



**HON. ABDIRAHIN H. ABDI, MGH  
CHAIRMAN BOARD OF DIRECTORS**



## REPORT OF THE CHIEF EXECUTIVE OFFICER

### Introduction

I am honoured to present the annual report and financial statements for the year ended 30<sup>th</sup> June 2022. This includes an overview of the regulatory and operational activities undertaken by the Authority in the period under review. The Authority continued to implement the corporate initiatives in the 2019-2024 strategic plan. The initiatives fall under the three pillars namely, 1. Operational excellence, 2. Policy and regulatory and 3. Enhancing pension access in the informal sector.

### Industry Soundness and Stability

As outlined in the chairman's statement, the macro external factors in the operating environment impacted the retirement benefits sector. The sector has been on a gradual recovery with resumption of pension contributions by employers who had sought suspension of contributions at the height of the pandemic.

The stability of the industry improved as demonstrated by 11% decline in the overall risk score to 2.98 (level 2) from 3.36 (level three) at the beginning of the year. The overall risk score is an index with four levels ranging from one to four, with rating used as a proxy of likelihood of failure of the regulated entity. The Authority utilizes the index to gauge and monitor the stability of the sector with a lower rating desirable. A suitable supervisory intervention depending on the risk level is executed with objective of reducing the rating to desirable level.

The Authority registered fifteen new stand-alone retirement benefits schemes in the year under review. However, twenty-two pension schemes were also deregistered with the affected members transferring to multi-employer umbrella funds and individual pension plans. We observed the number of new employers enrolling in umbrella retirement benefits schemes is larger than those registering stand-alone schemes and this trend is expected to continue as employers seem to prefer pooling of funds and reduction in compliance cost of operating the scheme.

Similarly, there were changes in the registered service providers, who offer specialized services to retirement benefits schemes. During the year, we registered Equity Life Assurance (Kenya) Ltd to offer administration services while at the same time deregistered two administrators, namely, Saham Assurance Company (Kenya) and Takaful Insurance

Company of Africa. The revocation of license was initiated by the institutions as part of their business strategy restructuring. The number of registered service providers as at 30<sup>th</sup> June 2022 were:

<b>Service Provider</b>	<b>Registered</b>
Administrators	30
Fund Managers	24
Custodians	12

On complaints management, the Authority received and resolved 170 industry complaints (177 in 2020/2021). Subsequently, the Authority received a 100% performance score from the Commission on Administrative Justice (CAJ). This demonstrates our continued commitment to excellence in service delivery.

### **Policy and Regulatory Framework**

As part of our mandate of advising the government on national policy relating to retirement benefits sector, the Authority carried out research and conducted forums with key stakeholders in the industry. The recommendations from research papers and feedback of engagement with stakeholders was used to formulate policy proposals that was forwarded to cabinet secretary National Treasury & Planning. The changes adopted in budget statement for the financial 2022/23 were broadening of the investment guideline to incorporate unlisted real estate investment trusts, permitting Certified Investment and Financial Analyst (CIFA) to act as investment advisors in preparation of investment policy statement of schemes, and minimum requirement to disclose the net rate of return credited to member's account in audited financial statements.

We also formulated the draft national retirement benefits policy that is undergoing public participation spearheaded by the National Treasury. We expect ratification of the policy not only to boost the Authority's regulatory effort but also widen pension coverage especially in the informal sector, which accounts for about 83% of the workforce.

On the regulatory front, the Authority continues to spearhead the issuance of new regulations, guidelines and practice notes. In the year under review, the following guidelines and practice notes were finalised. 1. Retirement benefits (corporate trustee) regulations. 2. Retirement benefits (post-retirement medical funds) regulations. 3. Retirement benefits (income drawdown funds) regulations. 4. Retirement benefits (trustee remuneration policy and scheme expenses) guidelines. 5. Retirement benefits (determination of defined benefits obligations) practice note.

We have been monitoring implementation of the two recently gazetted market conduct guidelines. These are 1. The retirement benefits (good governance practices) guidelines, 2018. 2. The retirement benefits (treating customers fairly) guidelines, 2019. We continue to monitor compliance with a view of ensuring 100% compliance with the guidelines. Pension schemes performed well in the three areas namely, products and services, customer

advice and performance/expectations. The areas of leadership, performance management and complaints handling continued to pose compliance challenges to schemes.

The anti-money laundering (AML) guidelines were cleared by the Attorney General for gazettment. These guidelines will aid the sector in complying with the Proceeds of crime and anti- money laundering act, no. 9 of 2009 (POCAMLA) and the Prevention of terrorism act, 2013 (POTA).

### **Partnership with Huduma Kenya Secretariat**

As part of improving access to the Authority services, the Authority launched services at two pilot regional Huduma Centres at Mombasa and Eldoret. This is expected to deepen access to services offered by the Authority including complaints management. Service providers will also be able to access the services nearer to their locations, cutting the need to access the Authority's headquarters. These rollouts will continue in the long term.

### **Pension Education**

The Authority continued to facilitate the development of the industry through training of trustees, administrators, and members.

Training of trustees was in collaboration with the College of Insurance and the Association of Retirement Benefits Schemes (ARBS) and took place in Nairobi, Mombasa, Kisumu and Naivasha.

Members were trained in twenty-eight counties in the year under review. Community radio stations were used to reach informal sector employers and workers on the importance of saving for retirement.

The Authority is also developing a new administrator development programme of Kenya (ADPK). Benchmarking locally and internationally is ongoing before curriculum development is completed.

### **Corporate Social Responsibility**

In the year under review, the Authority continued carrying out corporate social responsibility and investment activities. The Authority partnered with Kenya Forest Service to plant two thousand indigenous trees in Ngong Forest. This initiative was geared towards environmental conservation. The Authority also distributed relief food to famine-stricken households in Marsabit County. This was in response to the prolonged drought in the area, that left elderly and the young exposed to suffering. Finally, the Authority participated as a sponsor in the financial reporting (FiRe) awards. This saw pension schemes participate in the awards, thus boosting governance in the sector.

### **Financial Performance**

The total income for the financial year 2021/2022 was Kshs. 1,090.0 million. This included RBA levy Kshs 1,061.6 million, licensing fees Kshs 3.6 million, interest from bank deposits Kshs. 4.2 million, investment income of Kshs. 17.6 million, and miscellaneous income of Kshs. 1.3 million. The total operating expenditure for the Authority was Kshs. 844.3 million

compared to the previous year 2020/2021 operating expenditure of Kshs. 791.0 million. The capital expenditure during the period was Kshs. 34.4 million. The Authority had a surplus of Kshs. 245.8 million compared to Kshs. 255.3 million in 2020-2021 financial year.

### **Outlook**

The Authority is currently undertaking a mid-term review our strategic plan in line with the emerging risks. This is mainly driven by the need to adjust some of the targets and re-strategize on the successful implementation of remaining period to 2024.

We remain optimistic that we will achieve the overarching goal in the strategic plan, to grow the asset industry base to Kshs. 2.4 trillion. This will be aided by several favourable factors including the rolling out of the Public Service Superannuation Scheme.

### **Conclusion**

I take this opportunity to thank the board of directors, management and entire team at the Authority and every stakeholder in the retirement benefits sector for the support you offered to the Authority during this financial year.



**CHARLES MACHIRA**  
**AG. CHIEF EXECUTIVE OFFICER**

## STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government Entity's performance against predetermined objectives.

During the financial year, the Authority implemented its Strategic Plan (2019-2024). This is the fifth strategic plan and the third RBA five-year plan after departure from three-year planning periods which ended in 2009. It sets out the strategic direction that is envisaged to enable the Authority to attain its vision of *"An inclusive, secure and growing retirement benefits sector"* with an overarching goal of *"achieving 30% pension coverage with an asset base of 2.4 Trillion Shillings by 2024."* The plan builds on the Authority's past successes and focuses on areas where the Authority endeavours to improve on to better serve its stakeholders. The Plan is also aligned with the government's broad development agenda as espoused in the Vision 2030 and the "Big 4 Agenda."

The plan is divided into three strategic themes, namely:

### **Pillar 1: Operational Excellence**

Which aims at delivery of efficient and effective services to the Authority's stakeholders. This is expected to be achieved through enhancement of capacity, automation, and knowledge management within the Authority. The Authority also aims to achieve operation excellence by instituting a robust Monitoring and Evaluation (M&E) framework and improving access to and reach of its services.

### **Pillar 2: Policy and Regulatory**

Which aims to engender increased confidence in the retirement benefits sector. The Authority aims to accomplish this by enhancing the capacity for policy formulation, improving the legal framework that guides the Authority's operations, and strengthening surveillance of the sector to improve sector governance.

### **Pillar 3: Developing the Informal Sector**

Which aims to achieve higher levels of pension coverage among Kenyan workers. This will be realized by enhancing outreach programmes based on needs-based research, promoting the development of pension products that specifically target the informal sector. This also include the translation of the high awareness of pension products into actual enrolment in retirement benefits arrangements.

The performance during the period as per the strategic pillars and objectives is as follows:

**Retirement Benefits Authority**  
**Annual Report and Financial Statements for the year ended June 30, 2022.**

Strategic Pillar/Theme	Objective	Key Performance Indicators	Strategic Initiative	Key Achievements
Operation Excellence	<p>Improve customer experience</p> <p>Improve Access to Authority Services</p>	<p>Customer Satisfaction index</p> <p>Representation in the counties</p>	<p>Implement the survey recommendations</p> <p>Partner with Huduma Centres at Regional Headquarters</p>	<p>The Authority implemented the recommendation of the Customer Satisfaction Report of 2020/2021.</p> <p>The Authority Collaborated with the Huduma Kenya Secretariat and a joint capacity building for RBA and Huduma Secretariat staff was undertaken. The Authority also carried out two (2) Pilot Regional Huduma Centres clinics in Mombasa and Eldoret. The Authority will continue to collaborate with Huduma Kenya Secretariat with roll out to more Regional Huduma Centres clinics during the strategic planning period ending June 2024.</p>
Employee Engagement	Enhance Employee Engagement	Employee Satisfaction Index	Conduct Annual Employee Satisfaction Survey and Culture Assessment and implement the recommendations	<p>During the 2021/2022 financial year, the Authority implemented the recommendations of the 2020/2021 employee satisfaction survey report. The Authority also carried out an employee satisfaction survey at the end of the financial year and the satisfaction index stood at 66% which was a drop from the satisfaction index of 68% in the 2020/2021 financial year.</p>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Strategic Initiative	Key Achievements
				<p>The Authority also continued to implement the recommendations and corrective actions arising from the 2020/2021 Cultural Assessment report as part of the efforts to improve the Authority's culture and entropy scores.</p>
	<p>Improve Capacity</p>	<p>Human Capital Readiness</p>	<p>Review and implement the Authority's establishment audit findings</p>	<p>The approval of the Authority's Human Resource Instruments was granted, and implementation is of the instruments is ongoing. The object of the HR instruments is to enhance the Authority's staffing levels and capacity.</p>
<p><b>Policy and Regulatory Framework</b></p>	<p>Enhance Confidence in the Retirement Benefits Sector</p>	<p>Percentage Increase in confidence index</p>	<p>Establish the baseline index</p>	<p>The baseline survey on confidence level was undertaken in the 2020/2021 financial year. The survey established that the confidence level was 68% and the brand awareness index was 65.5%. During the period under review the Authority continued to implement the recommendations in the survey report.</p> <p>The Authority also carried out targeted campaigns to create awareness on the legal and regulatory framework and further sensitized members of schemes during annual general meetings and member education days on their rights and obligations.</p>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Strategic Initiative	Key Achievements
	Enhance Retirement benefits sector contribution to Big 4 agenda	No. of initiatives supporting the big 4 agenda	<ul style="list-style-type: none"> <li>• Recommend review of the legal framework to enable pension schemes and members participate in the big 4 agenda projects</li> <li>• Collaboration with key stakeholders and sector players on the implantation of the big 4 agenda</li> <li>• Monitor the uptake of the post-retirement scheme as part of promoting universal healthcare</li> </ul>	<p>The retirement Benefits (Mortgage Loans (amendment) Regulations 2020 were gazette on 14<sup>th</sup> September 2020 to enable members to utilize their savings to secure a residential house while still working. The amendment regulations were developed following the enactment of the Income Tax Amendment Act 2020 which amended Section 38 of the Retirement Benefits Act to allow members of retirement benefits schemes to access a portion of their accrued benefits to purchase a residential house, including under the affordable housing program. During the period under review the Authority sensitized members and trustees of schemes on how utilize the facility.</p> <p>The Authority also sensitized members and stakeholders on the provisions of the guidelines on Post-Retirement Medical Funds as part of the efforts to enhance the uptake of post-retirement medical products. So far, only four retirement benefits schemes have established post-retirement medical funds within the schemes.</p> <p>The Authority also sensitized trustees on alternative investments including</p>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Strategic Initiative	Key Achievements
				<p>investment in debt instruments to finance infrastructural projects including affordable housing projects under PPP. This has already gained traction and a number of schemes have shown interest in investing infrastructural projects.</p>
	<p>Improve the Retirement Benefits Sector Governance</p>	<p>Average risk score</p>	<ul style="list-style-type: none"> <li>• Enforce governance framework</li> <li>• Build capacity of the service providers on the governance framework</li> <li>• Develop and review guidelines and practice notes on good governance</li> </ul>	<p>The Authority continued to implement the risk-based supervision framework to monitor the stability and soundness of the retirement benefits sector. The Authority carried out various enforcement actions as per the Retirement Benefits Act and regulations to ensure compliance of the schemes and reduce risks.</p> <p>The overall risk score for the pension sector as at 30<sup>th</sup> June 2022 was 2.98 indicating that the sector relatively stable. The score is an improvement compared to the score of 3.368 in the previous financial year. The low-risk score during the period is attributed the enforcement and surveillance actions undertaken by the authority in order to enhance the stability of the sector.</p> <p>The Authority also continued to monitor the implementation of the Good Governance Guidelines. The Authority carried out quarterly sensitization for both trustees and</p>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Strategic Initiative	Key Achievements
				<p>service providers and the scheme compliance level improved during the period with 66% of the schemes with assets Kshs.1 billion and above having complied with the guidelines.</p> <p>On treating customers fairly, the Authority carried out quarterly sensitization for trustees and other key stakeholders to enhance the implementation of the Treating Customers Fairly guidelines. The Scheme Trustees and service providers are required to comply with six (6) outcomes to ensure fair treatment of their clients; products and services, customer advice, performance/expectations, leadership, performance management and complaints handling.</p>
<b>Enhancing Coverage in the Informal Sector</b>	Increase Pension Asset Base from Kshs. 1.2 trillion to 2.4 trillion by June 2024	Growth in Assets	<ul style="list-style-type: none"> <li>• Promote investments in alternative assets</li> <li>• Advocate for the implementation of the National Retirement Benefits Policy</li> </ul>	<p>The retirement benefits assets under management dropped by 2.16 percent from Kshs. Kshs. 1,547.43 billion in December 2021 to Kshs. 1,514.04 billion in June 2022. The marginal drop in the growth of the assets during the half year period can partly be attributed to the volatility in the financial market following the adverse effects of the Covid-19 pandemic which negatively impacted the financial markets and the wider economy since 2020. Equally, the</p>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Strategic Initiative	Key Achievements
				<p>uncertainties during the 2022 electioneering period also affected the performance of the assets. However, compared to the same period last year, the assets grew slightly by 2.43 percent, up from Kshs. 1,478.18 billion in June 2021.</p> <p>The draft National Retirement Benefits Policy was developed through the leadership of the National Treasury and assistance from the World Bank Project-FSSP.</p>
	<p>Increase pension coverage from 20% to 30% of the labour force by June 2024.</p>	<p>Pension coverage</p>	<ul style="list-style-type: none"> <li>• Sensitized and follow up employers to facilitate access pension savings for their employees</li> <li>• Sensitize the informal sector workers to start saving for retirement</li> </ul>	<p>The Authority carried out sensitization and follow up employers on the need to have pension arrangements and during the financial year fifteen (15) new schemes were registered. This was an increase compared to last year the Authority registered seven (7) new schemes. However, the pension coverage remained at 22% of the labour force.</p>

## **CORPORATE GOVERNANCE STATEMENT**

The Retirement Benefits Authority (RBA) is a statutory body established in 1997 under the Retirement Benefits Act to regulate, supervise and promote the development of the pension industry. The Act was part of the reforms in the financial sector meant to enhance the coordination in the retirement benefits sector.

As Board we believe that strong cooperate governance framework and culture translate to a strong Authority that delivers to its shareholders

Retirement Benefits Authority's directors and management are committed to conducting business in an ethical, fair, and transparent manner in accordance with high standards of corporate governance. The Board, together with the management team, leads by Example. We have a robust corporate governance framework in place, and we are committed to fostering a culture of compliance that values integrity, Transparency and accountability, responsiveness, Integrity, and innovation.

### **Our corporate governance framework includes:**

- An engaged Board of directors with a diverse range of skills and experience supported by an effective Board Committee structure.
- Clear and transparent communication with our shareholders.
- Strong risk management and assurance processes and culture.
- Our values and behaviours and supporting policies that underpin the way we behave and meet our strategic objectives.

### **The role and responsibilities of the Board and Management**

The Board's primary role is to enable the protection and enhancement of long-term shareholder value taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community. The Board is accountable to shareholders for the performance of the Authority. It directs and monitors the business and affairs of the Authority on behalf of shareholders and is responsible for the Authority's overall corporate governance. In particular, the Board's responsibilities include:

- Setting the 'tone from the top' through influencing the corporate culture, ethical standards and reputation of the authority.
- Approving the strategic objectives and direction of the Authority and overseeing management's implementation of those strategic objectives.
- Monitoring the Authority's operational performance generally including its financial state and the effectiveness of the Authority's safety and sustainability strategies.
- Approving major expenditures, transactions, budgets, funding plans and capital management initiatives.
- Monitoring the integrity, effectiveness, and consistency of setting the overall remuneration framework for the Authority; appointing, setting the remuneration and

assessing the performance of the CEO, as well as approving the appointment and remuneration of senior executives and overseeing their performance.

- Overseeing executive succession planning; and monitoring the effectiveness of the Authority's governance practices including overseeing shareholder reporting and engagement as well as compliance with the Authority's continuous disclosure obligations.

### **The Board size and composition**

In the financial year ended 30th June 2022, the Board was made up to (9) members comprising of a non-executive Chairman, four (4) non-executive members appointed by the Cabinet Secretary National Treasury and planning, the Cabinet Secretary, National Treasury and Planning, Chief Executive Officer Capital Market Authority, the Chief Executive Officer Insurance Regulatory and the Chief Executive Officer Retirement Benefits Authority.

No	Name	Designation
1.	Mr. Victor Pratt	Chairman (Retired 31 <sup>st</sup> May 2022)
2.	Hon. Ukur Yatani, EGH	Cabinet Secretary, The National Treasury & Planning
3.	Mr. Joseph Ngugi	Alternate Director representing Cabinet Secretary, The National Treasury & Planning
4.	Mr. Godfrey Kiptum, MBS	CEO, Insurance Regulatory Authority
5.	Mr Wyckliffe Shamiah	CEO, Capital Market authority
6.	Dr. Margaret M. Makumi	Director (Re-appointed on 6 <sup>th</sup> October 2021)
7.	Dr. James Kiprop Chelang'a (PhD)	Director (Appointed on 6 <sup>th</sup> October 2021)
8.	Mrs. Margaret Gaitirira	Director (Appointed on 6 <sup>th</sup> October 2021)
9.	Mr. Alinoor Hussein	Director (Appointed on 3 <sup>rd</sup> June 2022)
10.	Mr. Nzomo Mutuku, MBS	Chief Executive Officer
11.	Mr. Charles Machira	Ag. Chief Executive Officer (with effect from 1 <sup>st</sup> March 2022)

The Inspector General (Corporations) under section 18(2) of the States Corporations Act cap 446 may attend the meetings of any State Corporations or any of the board or Committee as he deems necessary for the effective performance of his duties under the Act.

### **Committees of the Board**

To comply with Chapter one of Mwongozo, the board constitutes four (4) Committee each with its own Charter. The individual Charters set forth the purpose, goals and responsibilities of the committee as well as the qualification of the committee membership, the procedure for appointment and removal of a member and the procedure of reporting to the Board. The committee facilitate efficient decision making of the board in the discharge of its statutory duties and responsibilities.

All directors exercise the requisite duty and care in the best interest of the Authority. The current Board and their membership on the Board Committees of the Authority are as follows:

## **1. Technical Committee**

The membership of this committee is as follows:

- 1) Dr. James Kiprop Chelang'a (PhD) - Chairperson
- 2) Mrs. Margaret Gaitirira
- 3) Godfrey K. Kiptum, MBS

The technical committee held two (2) regular meeting.

## **2. Staff Welfare and Remuneration Committee**

The membership of this committee is as follows:

- 1) Dr. Margaret M. Makumi- Chairperson
- 2) Dr. James Kiprop Chelang'a (PhD)
- 3) Mr. Wyckliffe Shamiah

The Committee held four (4) regular meetings and two (2) special meeting in the period under review.

## **3. Finance and Administration Committee**

Membership of this committee is as follows:

- 1) Edwin Rotich – Chairperson (retired on 18<sup>th</sup> December 2021)
- 2) Godfrey K. Kiptum, MBS
- 3) Dr. Margaret M. Makumi
- 4) Mr. Joseph Ngugi –Alternate Director representing CS, The National Treasury & Planning

The committee held four (4) regular meetings and three (3) special meeting in the period under review.

## **4. Audit and Risk Management Committee**

The membership of this committee is as follows:

- 1) Mrs. Margaret Gaitirira -Chairperson
- 2) Mr. Wyckliffe Shamiah
- 3) Mr. Joseph Ngugi – Alternate Director representing CS, The National Treasury & Planning

The committee held four (4) regular meetings in the period under review.

## **The Board Meetings**

During the period under review, the board held four (4) regular full board meeting and six (6) Special meetings.

In accordance with Retirement Benefits Act read together with the State Corporations Act the board of the Authority should comprise of nine (9) members. In the period under review,

the Authority complied to the requirement but cumulatively had a total of eleven (11) members due to the retirement, re-appointment and new appointment of Board members who transacted the Authority's business during the financial year.

The table below summarizes the number of meetings held during the period ending 30th June 2022:

		Regular	Special	Total
1	Full Board Meeting	6	4	10
2	Technical committee	2	0	2
3	Staff Welfare and Remuneration Committee	4	2	6
4	Finance and Administration Committee	4	3	7
5	Audit and Risk Management Committee	4	0	4

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<b>BOARD AND COMMITTEE MEETINGS ATTENDANCE FOR THE YEAR ENDED 30TH JUNE 2022</b>								
				<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
				<b>Number of Meetings</b>				
				<b>7</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>10</b>
	<b>Board Member</b>	<b>Classification</b>	<b>Designation</b>					
1	Mr. Victor Pratt <sup>1</sup>	Independent	Board Chairman					9
2	Mr. Joseph Ngugi	Representing the Cabinet Secretary, National Treasury	Member	7	3		2	9
3	Mr. Wyckliffe Shamiah	CEO, Capital Markets Authority	Member		4		5	8
4	Mr. Godfrey K. Kiptum, MBS	CEO, Insurance Regulatory Authority	Member & Chairperson TC	7		2	3	6
5	Dr. Margaret Makumi <sup>2</sup>	Independent	Member	4	1		3	7
6	Ms. Margaret Gaitirira <sup>3</sup>	Independent	Member		2	1		7
7	Dr. James Chelang'a <sup>4</sup>	Independent	Member	1	2	1	2	
8	Mr. Hussein A. Ibrahim <sup>5</sup>	Independent	Member					1
9	Mr. Edwin Rotich <sup>6</sup>	Independent	Member	4	2		3	4
10	Mr. Stephen Mbatia	Inspectorate of State Corporations		2	2			1
11	Ms. Theodora Gichana	Inspectorate of State Corporations		1	3			2

**KEY:****A:** Finance & Administration Committee (FAC)**B:** Audit and Risk Management Committee (AC)**C:** Technical Committee (TC)**D:** Staff Welfare and Remuneration Committee (SWRC)**E:** Main Board<sup>1</sup> Retired on 31<sup>st</sup> May 2022<sup>2</sup> Reappointed on 6<sup>th</sup> October 2021<sup>3</sup> Appointed on 6<sup>th</sup> October 2021<sup>4</sup> Appointed on 6<sup>th</sup> October 2021<sup>5</sup> Appointed on 3<sup>rd</sup> June 2022<sup>6</sup> Retired on 18<sup>th</sup> December 2021

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **1. Financial Performance**

The Financial Performance of the Authority for the twelve months ended 30<sup>th</sup> June 2022 is presented herewith in line with the requirement of the Retirement Benefits Act, the Public Audit Act, and the International Public Sector Accounting Standards.

#### **a. Revenue**

The Authority's total revenue for the financial year 2021-2022 was Kshs 1,090.0 million with levy collected standing at Kshs. 1,061.6 million accounting for 97% of the total revenue for year. This was an improvement compared to the performance of 2020-2021 FY where the Authority's revenue stood at Kshs. 1,046.8 million.

#### **b. Expenditure**

The total recurrent expenditure of the Authority for 2021-2022 FY stood at Kshs. 844.3 million compared to Kshs. 791.5 million in the previous year 2020-2021 FY.

In the financial year 2021-2022 FY, the Authority acquired additional assets amounting to Kshs. 34.4 million compared to 4.9 million for previous financial year 2020 – 2021 FY.

#### **c. Cash Flow Statement**

The cash and cash equivalent for 2021-2022 FY was Kshs. 813.3 million compared to Kshs. 734.9 million in the prior-year 2020-2021 FY as presented in the cashflow statement.

#### **d. Surplus/deficit**

In the 2021-2022 financial year the Authority had a surplus of Kshs. 245.8 million compared to Kshs. 255.3 million in

2020-2021 financial year. For the year under review, the Authority has provided for 90% surplus remission to National exchequer of Kshs. 221.2 million.

### **2. Compliance with Statutory Requirements**

The financial performance of the Authority for the twelve months ended 30<sup>th</sup> June 2022 is presented in compliance with the Retirement Benefits Act 1997, the Public Audit Act 2015, Public Finance Management Act 2012, and the International Public Sector Accounting Standards.

The Authority has continued to comply with all applicable laws and statutory requirements. The Authority currently do not have ongoing court cases or default which may amount to contingent liabilities.

### **3. Major Risks Facing the Authority**

The Mwongozo Code of Governance for State Corporations, 2015, requires key risks to which the reporting entity is exposed to be disclosed to stakeholders in a complete, timely, relevant, and accurate manner.

The following table presents the major risks facing the Authority. The Board and Management continue to monitor implementation of the proposed treatment/mitigation strategies.

*Retirement Benefits Authority*  
**Annual Report and Financial Statements for the year ended June 30, 2022.**

**Corporate Risk Categorization**

No	Category	Risk	Summary Description
1	Legal and regulatory	Inadequate regulation and supervision of the establishment and management of the retirement benefits sector	One of the mandates of the Authority as stipulated in the RB Act is to regulate the retirement benefits sector. In order to achieve this mandate, there is need to continuously review the provision of the Act and the Regulations in order to ensure there is adequate legal framework for regulating the sector. There is also need to review the human resource capacity to ensure it is adequate to facilitate the Authority achieve it mandate.
2		Inadequate protection of members interests (Benefits rights and responsibilities)	Protection of retirement pension's scheme member's interest is also one of the mandates of the Authority according to the Retirement Benefits Act and Regulations - to protect interest of members and sponsors of retirement benefits schemes. This risk would manifest on how the Authority seeks to carry out the mandate as relates to rights of sponsors and members. It also relates to inadequate enforcement of proper governance structures in the retirement benefits (RB) sector. The risk is mitigated through approval of trustees' remuneration approved by members during the annual general meeting after every three years. This action is key to delivering the mandate and therefore considered strategic in nature. Other mitigating factors include enforcing Regulations and being efficient in taking timely action on any breach as noted.
3		Limitations in creation of an enabling environment for growth of Retirement Benefits sector	Development of the Retirement Benefit Sector is one of the Authority's mandates. The Act requires the Authority to promote the growth of the retirement benefits sector. The Authority therefore is required to put in place measures that would encourage the growth of the sector to cover as many citizens as possible. The risk may therefore manifest in the over-regulation of the sector to stunt the growth or on the other hand to enhance and encourage the sector leading to phenomenon growth.

No	Category	Risk	Summary Description
4		Inadequacies in the regulatory framework in the RB Act	The Retirement Benefits Act sets the mandate of the RBA. In order to ensure there is adequate regulatory framework, there is need to review the Act and Regulations regularly. In the same regard, the operating environment may change and alter the way RBA carries out its mandate and therefore the review is necessary to capture any dynamic that may arise.
5		Inadequate, Leadership and Management at RBA – Inadequate delivery of mandate	This risk involves that Senior Management of the Authority including the CEO and the Board. The risk relates to leadership and governance. The CEO is responsible for day today management of the Authority and any leadership challenges can affect the performance of the Authority. The Board is responsible for the governance and oversight of the Authority's activities and failure of the Board to provide leadership may affect on the pension industry.
6		Non-compliance with legal and regulatory requirements in RBA operations	In performance of its mandate, the Authority is required to comply with other laws, Regulations and Government Circulars and Regulations. Inadequate compliance with these laws and Regulations may affect the Authority delivery on its mandate.
7		Inadequate growth of pension access within the informal sector.	RBA developed a new strategic plan 2019-2024 and one of the pillars is to increase and grow pension access by the the informal sector workers. The Authority should put more efforts to ensure it achieve this strategic objective. The workers in the informal sector earn very low and are venerable when there they reach retirement age. It is therefore important to encourage workers in this sector to save for their retirements. Increasing pension access in the country is an important mandate of the authority
8		Industry disruption risk	RBA is the regulator in the Retirement Benefits Sector. One of the mandates of Authority is to ensure growth of the pension industry through regulation and sensitization of citizens on the benefits of saving for their pensions as a way of preparing for their old age.

No	Category	Risk	Summary Description
9	Operational risk management	Inadequate Governance Practices - Board Operations and Board Secretarial Services	<p>Any industry disruption that may emanate from external factors may lead to interruption of the operation of the RBA stakeholders as a group necessitating regulator's intervention.</p> <p>This risk relate to governance and Board activities may involve Board Secretary, CEO and Internal Audit &amp; Risk Management not performing their roles effectively. When the Board fails in their oversight role it may affect the delivery of the mandate for the Authority.</p> <p>The Board is responsible for the governance and oversight of the Authority's activities. The Internal Audit &amp; Risk Management offers assurance on the various aspects of the operations of the Authority so as to give comfort that the financial and non-financial operations are performed within the law to the Board through the Board Audit Committee.</p> <p>Adherence to tenets of good Corporate Governance (Board and Board Committees) help in mitigating the risks.</p>
10		Cascading of Corporate strategy - Misalignment of the departmental plans to the strategic plan of the Authority	<p>The success of RBA's strategic plan is linked to how successful departments perform their functions. The strategy requires to be cascaded downwards to the operational departments and supported with the right organisational structure. This risk manifests where the strategy has not been adequately cascaded/communicated to the lower levels of the Authority and hence no teamwork within the Authority.</p>
11		Inadequate Governance Practices - Audit & Enterprise Risk Management Activities	<p>This risk relates to poor risk management, Internal Control &amp; Governance processes and requires the the Board, CEO and Head, Internal Audit &amp; Risk Management interventions. When the Board fails in their oversight role, it may affect the delivery of the mandate for the Authority.</p>

No	Category	Risk	Summary Description
12		Corruption, Fraud, Integrity and Ethics among staff and Board of RBA	<p>The Internal Audit through the Audit, Risk Management &amp; Governance Committee is responsible for providing independent and objective advice and assurance with regard to risk management, control and Governance processes of the Authority.</p> <p>Corruption, fraud, integrity, and ethics are matters of concern to organizations across the world. In the past Kenya's public sector has been faced with corruption issues that have resulted in graft and loss of public funds through unethical economic activities.</p> <p>Integrity and Ethical issues are bound to arise within RBA's if prudent financial management are not adhered to. The risk may manifest in vested interests, conflict of interest, abuse of office, governance failure and corruption.</p>
13		Inadequate Human Resource Management (Numbers, Skills, Competence, and succession planning)	<p>This risk refers to the issues relating to human resources within RBA. This may be in form inadequate personnel, inadequate skills, demotivated staff and all other staff related issues. Human capital matters are guided by Employment Act and other related Regulations. In the Authority these issues are guided by Human Resources Policy of the Authority which guide on appointment, retention, and separation of staff,</p>
14		Inadequate research and development practices - Mismatch of RBA operations with global good practice standards	<p>The retirement benefits industry is dynamic with global practices and standards changing from time to time. The risk may be mitigated by the Authority incorporating new standards and practices for RB sector development. This may lead requires innovation and creativity as well as global alignment in the sector. RBA should not lag in adoption of global good practice in RB sector.</p>
15	Reputational & political	Inadequate protection or building of RBA Brand/ reputation	<p>Increased brand confidence is important for RBA to effectively deliver on its mandate. RBA should be perceived as independent and have a compassionate brand for consumer confidence to increase. The Authority should demonstrate its regulatory mandate</p>

No	Category	Risk	Summary Description
16		Interference of RBA operations by government policies, activities and politics	<p>by taking decisive and immediate action for schemes that are not compliance with RBA Regulations and guidelines</p> <p>This risk manifests where there is a conflict between RBA's mandate and other government bodies hence inhibiting the delivery of expected services. RBA is only the institutions with mandate to regulate the pension sector. Other Statutes that deal with pensions requires contact review to ensure there not conflict with Retirement Benefits Act. Such Statutes include NSSF Act and Laptrust fund that have governed their operations. The risk may also arise from government directives, political activities and other activities that may interfere with delivery of Authority.</p>
17	System & process risks	Inadequacies in the Supply Chain Management Process	<p>This risk encompasses all aspects of supply chain from procurement planning, procurement processing, inventory &amp; asset management, disposal of assets and contract management. Procurement of goods, works, services and consultancies should be conducted within the framework of the law. The risk may manifest at any stage of the supply chain cycle where the process develops the specifications, procures and disposal of goods where that laid down process is not adhered to.</p>
18		Inadequate management processes	<p>This risk manifests through inadequate knowledge transfer where the skills are not adequate for transfer within the Authority. Some staff may possess key skills and expertise hence making the Authority depend on them for key supervisory and other operational processes. This makes the organisation vulnerable.</p>
19	Human security hazards	Accident / Injury/Occupational illness to staff during operations	<p>This risk refers to all issues regarding staff occupational Health and Safety within the workplace. The OSH Act 2007 has stipulated the various requirements for workplace safety and requires compliance with the Act. Staff are also in addition protected through a Workmen's Injury Benefits Act (WIBA) provisions when injured at work.</p>

No	Category	Risk	Summary Description
			<p>The risk may therefore manifest through noncompliance with any provisions of the above laws and any other related safety regulations</p>
20	Financial risk management	<p>Inadequate carrying out of planned (Budgeted) activities leading to under absorption of funds</p>	<p>This risk may manifest in funds not being utilised leading to idle funds and surplus. Under Absorption of funds may indicate non-achievement of objectives by the Authority.</p>
21		<p>Liquidity and Cash flow Risks</p>	<p>Within RBA's context, liquidity and cash flow risk might manifest in inability to meet various financial obligations that are critical to achievement of the organisations mandate and objectives. Cashflow risk may arise due to the periodical nature of RBA's revenue collection. This requires proper management of cash.</p>
22		<p>Inadequate Financial Controls</p>	<p>Internal financial controls enable prudent management of financial resources by all departments and staff at RBA. This risk may manifest in misuse of resources, fraud incidents, corruption, and non-adherence to budget plan. To mitigate the risk heads of departments and finance department must provide strict oversight of the financial management processes of the Authority</p>
23	Technological risks	<p>Inadequate uptake and adopt emerging technologies in RBA operations</p>	<p>Technology has become ubiquitous and as source of disruption to the way of doing business for many organizations. RBA seeks to adopt progressive technologies that would assist the achievement of its mandate in a more effective and efficient manner. To mitigate the risk the Authority should identify, uptake and adopt emerging technologies in its operations. This will ensure RBA is not left behind.</p>
24		<p>Vulnerability of ICT infrastructure to both internal and external exposure</p>	<p>RBA operations have become increasingly IT centric. The stability and reliability of IT infrastructure is very critical to the achievement of the strategic objectives. This risk refers to compromise to the integrity of the RBA's IT systems which includes issues of security, stability and availability of IT systems. Therefore, proper data</p>

No	Category	Risk	Summary Description
25		Inadequate security of data and other RBA assets	management helps in ensuring that vital data is protected from unauthorised changes or loss. The security of data and other RBA assets is essential to the Authority in achieving its strategic objective. This includes people, physical assets and data. To mitigate this type of risk the Authority require to adequately secure its assets including data.
26		Cyber Risk Exposure	The stability and reliability of IT infrastructure is very critical to the achievement of the strategic objectives. In RBA context Cyber risk' means any risk of financial loss, disruption or damage to the reputation of the Authority from some sort of failure of its information technology systems. This risk refers to compromise to the integrity of the RBA's IT systems which includes issues of security, stability, confidentiality, and availability of IT systems. Therefore, it is imperative to protect internet-connected systems of hardware, software, and data, from cyberattacks.
27		Inadequate disaster recovery plans	RBA has developed some Business Continuity plans and part of it are the Disaster Recovery plans especially for the information and communication infrastructure. This risk involves the failure of the already developed Disaster Recovery Plans (DRPs). These are part of the business continuity plans and ensure that business critical data can be recovered once a disruptive event has occurred. A failure of the plans could be catastrophic to RBA business.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

The retirement benefits industry has been on an upward growth trajectory moving from an asset base of Kshs. 44.5billion in 2000 to the current asset base of Kshs. 1.547 trillion as at December 2021. This impressive growth has been achieved through various sustainability efforts put in place by the Authority to safeguard the retirement benefits. Over the years, the authority has championed prudent investment of pension funds and continuous review of the investment guidelines to expand the asset classes to allow schemes diversify their investment. Equally, the authority adopted a risk-based supervision approach to ensure a stable retirement benefit that inspires confidence to the stakeholders in the industry. The authority has also ensured continuous review of the policy and regulatory framework that governs the retirement benefits sector through an annual review of the Act and regulations based on the proposals from the industry stakeholders. The process of developing a national retirement benefits policy is ongoing and this would guide the development of the industry by providing direction of sustainable ways of increasing pension coverage and participation. Finally, the authority encourages innovation within the industry, and this has seen introduction of new products by industry players that focuses on increasing pension coverage in the informal sector that has witnessed low coverage.

The retirement benefits industry does not operate in a vacuum and is thus affected by the broad trends in political and macroeconomic environment that prevail. The retirement benefits assets are invested within the economy especially in the financial markets. Over 95% of the retirement benefits assets are invested in four investment assets classes that include government securities, quoted equities, guaranteed funds and immovable property. These investment areas are affected by macroeconomic factors such as interest rates and inflation. Any shift in these variables in the negative is likely to erode the value of pension assets. Equally, high unemployment rate is like to slow down growth of pension assets as contributions would be affected. Finally, political uncertainty affects the retirement benefits industry both in terms of its effects on the investment environment and the labour market.

## ii) Environmental performance

The Authority has a Corporate Social Responsibility policy which outlines the commitment to making continuous improvement in the management of its environmental impact. Although RBA's mandate does not expose the Authority to the environment directly, the Authority strives to ensure efficient use of resources by its employees to minimize on wastage. The Authority has also adopted sustainability and environmentally sound sourcing and production methods in its suppliers' manufacturing and delivery processes. To this end, the Authority always looks to favour suppliers with established environmental policies and practices in the allocation of contracts. The Authority sets aside 10 per cent of its CSR budget for the tree planting annually as part of its CSR to bolster government's efforts to achieve at least 10% forest cover by the end of 2022. In the year under review, the Authority sponsored a 3-acre re-forestation project at Ngong Forest, along Nairobi's Southern Bypass Road on 3rd June 2022 at a cost of Kshs. 512,920. It achieved this through a partnering with the Kenya Forestry Service to plant 1200 indigenous tree seedlings at the allocated degraded forest land.



*Ag. CEO Charles Machira planting a tree at Ngong Forest on June 3, 2022.*

### **iii) Employee welfare**

The hiring process in the Authority is embedded in the Human Resource Policy and Procedures Manual under the recruitment and selection procedure. This procedure considers diversity of the workforce in terms of gender threshold in line with the Constitution, ethnic diversity, age as well as representation of persons with disability. In terms of stakeholder engagements, the Authority engages both the internal and external stakeholders including the National Council of Persons with Disability (NCPWD) through the Council's Career Portal and this ensures that the outcome is responsive and compliant with the HR Policy manual, the employment law, and constitutional requirements. The Authority also recognizes the need for training and development of all employees to ensure effective delivery of its mandate. Therefore, all staff are accorded training opportunities in line with their respective training gaps to improve their work performance and personal development as per the Training and Development Policy. Overall, the end-to-end process of engaging employees, training and development, career development, performance management, recognition and rewards are anchored in the approved HR Instruments. The Authority also undertakes a safety and health audit, risk assessment and fire safety audit annually in compliance with the OSH Act, 2007. During the FY 2021/2022, the audits were carried out on 13th June 2022.

#### iv) Corporate Social Responsibility / Community Engagements

##### 1. Informal Sector Engagement

To complement its mandate, RBA carries out activities that are aimed at increasing the number of Micro & Small Enterprises (MSEs) taking up a pension cover as well as improving the environment in which they operate. During the financial year, the Authority continued reaching out to the informal sector members and employers through the media, seminars, open days, and mobile clinics on the importance of saving for retirement. The Authority held the Open Days in Kisumu and Nakuru and the mobile clinics in Mombasa and Eldoret.

In the forums, RBA staff drawn from different departments responded to queries from Kenyans on how and where to save for retirement or on issues about their pension schemes in terms of savings, investments, and payments.



*RBA's Senior Economist, Leonard Apiyo (left) serving customers at Mombasa Open Day.*

##### 2. Giving back to community

To complement its mandate, RBA carries out Corporate Social Responsibility and Investment (CSR&I) activities that also afford the Authority an opportunity to sensitize participants on the need of taking up a pension cover as well as improving their welfare or the environment in which they operate.



*Giving back to community: RBA's Peter Koobai (left) distributing fortified foods to vulnerable communities in Marsabit County.*

The year under review saw the Authority partner with the Kenya Forestry service to plant 2000 indigenous trees at Ngong Forest. The Authority further distributed relief food to the famine-stricken households in Marsabit County.

The act was meant to cushion the elderly and children against the economic hardships brought about by the prolonged drought.



*Outgoing RBA CEO, Nzomo Mutuku (centre) planting a tree at Ngong Forest*

### **3. Boosting financial reporting in the pension sector**

In the year under review, the Authority continued its support towards Financial Reporting (FiRe) Awards, a move that saw pension schemes participate in the Awards with the aim of boosting governance and financial reporting.



*RBA Outgoing CEO Nzomo Mutuku, MBS, at the 19th edition of the Financial Reporting (FiRe) Award ceremony.*

### **4. Staff welfare**

In the 2021/2022 financial year the Authority organized various staff events to enhance welfare of staff. The events included a team building and health awareness day at the public service club. The event aimed at enhancing teamwork and strengthening staff interpersonal communication to ensure that there is improved productivity and staff morale.

### **5. Disability mainstreaming**

As part of its disability mainstreaming agenda, the Authority revised its braille version of the service charter to complement the audio-visual version developed the previous year. The move is aimed at reaching out to clients with hearing and visual impairment.

## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the *Authority's* affairs.

### i) Principal activities

The principal activities of the Authority are:

- a) Regulate and supervise the establishment and management of retirement benefits schemes.
- b) Protect the interests of members and sponsors of retirement benefits sector.
- c) Promote the development of the retirement benefits sector.
- d) Advise the Cabinet Secretary National Treasury on the National policy to be followed regarding the retirement benefits industry and implement all government policies thereto.

### ii) Results

The results of the Authority for the year ended June 30, 2022, are set out on page 1 to 4

### iii) Directors

The members of the Board of Directors who served during the year are shown on page ii. During the year, two (2) directors retired, one independent director and the Chairman of the Board, two (2) new directors were appointed and another one (1) re-appointed with effect from 6<sup>th</sup> October 2021.

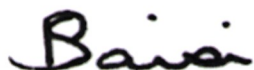
### iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. For purposes of this provision, the Authority remitted Kshs. 228.8 million to the national exchequer.

### v) Auditors

The Auditor-General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



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**Name:** Praxidis Saisi

**Corporate Secretary/Secretary to the Board**

## STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 The state Corporation Act and the Retirement Benefits Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the *Authority* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Authority*. The Directors are also responsible for safeguarding the assets of the *Authority*.

The Directors are responsible for the preparation and presentation of the *Authority's* financial statements, which give a true and fair view of the state of affairs of the *Authority* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Authority*; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the *Authority*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Authority's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the Retirement Benefits Act and the State Corporations Act. The Directors are of the opinion that the *Authority's* financial statements give a true and fair view of the state of *Authority's* transactions during the financial year ended June 30, 2022, and of the *Authority's* financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the *Authority*, which have been relied upon in the preparation of the *Authority's* financial statements as well as the adequacy of the systems of internal financial control.

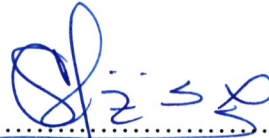
Nothing has come to the attention of the Directors to indicate that the *Authority* will not remain a going concern for at least the next twelve months from the date of this statement

## Approval of the financial statements

The *Authority's* financial statements were approved by the Board on 26-9- 2022  
and signed on its behalf by:



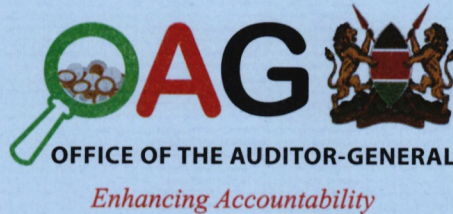
.....  
**Name:** Hon. Abdirahin H. Abdi, MGH  
**Chairperson of the Board**



.....  
**Name:** Charles Machira  
**Ag. Chief Executive Officer**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON RETIREMENT BENEFITS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Retirement Benefits Authority set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of changes in net assets,

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*Report of the Auditor-General on Retirement Benefits Authority for the year ended 30 June, 2022*

statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Retirement Benefits Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Retirement Benefits Act, 1997.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Retirement Benefits Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.1,086,916,000 and Kshs.844,266,828 respectively resulting to an under-expenditure of Kshs.242,649,172 or 22% of the budget. Several items recorded excess expenditure above the budgeted provision leading to instances of an unauthorized expenditure.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
 CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**21 February, 2023**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

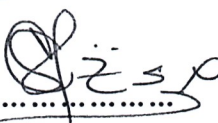
	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Revenue from Non-Exchange	6	1,066,866,818	997,173,166
		<b>1,066,866,818</b>	<b>997,173,166</b>
<b>Revenue from exchange transactions</b>			
Revenue from Exchange Transactions	7	21,774,647	12,659,301
Other income	8	1,379,833	37,005,363
		<b>23,154,480</b>	<b>49,664,664</b>
<b>Total revenue</b>		<b>1,090,021,298</b>	<b>1,046,837,830</b>
<b>Expenses</b>			
Employee costs	9	367,491,473	424,960,365
Remuneration of Directors	10	22,075,062	9,979,283
Depreciation and Amortization Expense	11	42,948,637	55,170,857
Repairs and maintenance	12	8,535,375	5,779,925
General expenses	13	402,066,800	294,765,370
Finance costs	14	1,149,482	887,430
<b>Total expenses</b>		<b>844,266,828</b>	<b>791,543,229</b>
<b>Other gains/(losses)</b>			
<b>Impairment loss</b>			
<b>Total other gains/(losses)</b>			-
<b>Surplus before tax</b>		<b>245,754,469</b>	<b>255,294,601</b>
Remission to National Treasury	21	221,179,022	229,765,141
<b>Net Surplus /deficit for the year</b>		<b>24,575,447</b>	<b>25,529,460</b>

The notes set out on pages 11 to 35 form an integral part of these Financial Statements.

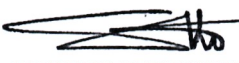
The Financial Statements set out on pages 1 to 35 were signed on behalf of the Board of Directors by:

  
.....

Name: Hon. Abdirahin H. Abdi, MGH  
Chairman of the Board

  
.....

Name: Charles Machira  
Ag. Chief Executive Officer

  
.....

Name: CPA. Seth O. Onyango  
Head of Finance

Date: 08/02/2023

Date: 08/02/2023

ICPAK Member No: 11627

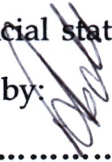
Date: 08/02/2023

**Retirement Benefits Authority**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2022.**

**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	2021-2022	2020-2021
Assets		Kshs	Kshs
<b>Current assets</b>			
Cash and cash equivalents	16	813,311,993	734,878,938
Receivables from Non-Exchange Transactions	17	21,318,947	24,974,360
Receivables from Exchange Transactions	18	605,625	4,644,894
<b>Total Current Assets</b>		<b>835,236,565</b>	<b>764,498,193</b>
<b>Non-current assets</b>			
Property, plant and equipment	19	171,911,611	180,455,759
Investments (deposits)	20	403,789,406	384,882,936
<b>Total non - current assets</b>		<b>575,701,017</b>	<b>565,338,696</b>
<b>Total assets</b>		<b>1,410,937,582</b>	<b>1,329,836,888</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payable to National Treasury	21	222,155,011	229,765,141
Insurance Claims held in Trust	22	19,800,000	
Employers Obligations	23	61,055,545	40,256,145
Creditors	24	114,575,516	86,995,571
<b>Total current liabilities</b>		<b>417,586,072</b>	<b>357,016,857</b>
<b>Non-current liabilities</b>			
<b>Net Assets</b>		<b>993,351,510</b>	<b>972,820,031</b>
<b>Total liabilities</b>			
<b>Net assets</b>			
Capital Fund	25	330,707,821	330,707,821
Accumulated surplus	26	662,643,689	642,112,210
<b>Total net assets</b>		<b>993,351,510</b>	<b>972,820,031</b>
<b>Total net assets and liabilities</b>		<b>1,410,937,582</b>	<b>1,329,836,888</b>

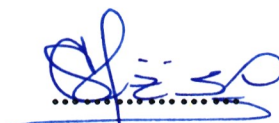
The financial statements set out on pages 1 to 35 were signed on behalf of the Board of Directors by:

  
 .....

**Name:** Hon. Abdirahin H. Abdi, MGH  
**Chairman of the Board**

**Date:**

08/02/2023

  
 .....

**Name:** Charles Machira  
**Ag. Chief Executive Officer**

**Date:**

8/2/2023

  
 .....

**Name:** CPA. Seth O. Onyango  
**Head of Finance**

**ICPAK Member No:** 11627

**Date:**

8/2/2023

**Retirement Benefits Authority**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2022.**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022**


	<b>Capital Fund</b>	<b>General Fund</b>	<b>Total Fund</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 1 July 2021</b>	330,707,821	642,112,210	972,820,031
Prior year adjustments ( 18b)	-	(4,043,968)	(4,043,968)
Surplus/Deficit for the period	-	24,575,447	24,575,447
Surplus Paid	-	-	-
<b>At 30 June 2022</b>	<b>330,707,821</b>	<b>662,643,689</b>	<b>993,351,510</b>
<b>At 1 July 2020</b>	330,707,821	808,765,912	1,139,473,733
Prior year adjustments		6,835,193	6,835,193
Surplus/Deficit for the period	-	25,529,460	25,529,460
Surplus Paid		(199,018,355)	(199,018,355)
<b>At 30 June 2021</b>	<b>330,707,821</b>	<b>642,112,210</b>	<b>972,820,031</b>

**Retirement Benefits Authority**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2022.**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

		2021-2022	2020-2021
		Kshs	Kshs.
Cash flows from operating activities: -	NOTE		
Net Surplus of the year		24,575,447	25,529,460
Adjusted for:			
Gain & Loss on disposal written back			-
Depreciation written back	11	42,948,637	55,170,857
Adjustment	18(b)	(4,043,968)	
		63,480,116	80,700,317
Working capital changes			
(Increase)/Decrease in receivable	17	7,694,683	(9,146,862)
Increase / (Decrease) in payable	21-24	60,569,215	292,770,707
Cash generated from operations		68,263,898	283,623,846
Net cash flows from operating activities		131,744,014	364,324,162
Cash flows from investing activities :-			
Purchase of Property & Equipment	19	(34,404,489)	(4,905,938)
Proceeds from Sale of Assets			-
Net cash used in investing activities		(34,404,489)	(4,905,938)
Cash flows from financing activities: -			
Increase in deposits	20(b)	(18,906,470)	(2,836,075)
Surplus / Tax paid to KRA	15		(199,018,355)
(Decrease)/Increase in Staff Benevolent Fund			
Net cash used in financing activities: -		(18,906,470)	(201,854,430)
Net increase/(decrease) in cash and cash equivalent in the year		78,433,055	157,563,795
Cash and cash equivalents as 1 July		734,878,938	577,315,144
Cash and cash equivalents as 30 June		813,311,993	734,878,938

The financial statements set out on pages 1 to 35 were signed on behalf of the Board of Directors by:

  
 .....

  
 .....

  
 .....

Name: Hon. Abdirahin H. Abdi, MGH  
 Chairman of the Board

Name: Charles Machira  
 Ag. Chief Executive Officer

Name: CPA. Seth O. Onyango  
 Head of Finance

Date: 8/2/2023

Date: 8/2/2023

ICPAK Member No: 11627  
 Date: 08/2/2023

*Retirement Benefits Authority*  
Annual Report and Financial Statements  
for the year ended June 30, 2022.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	Original Budget 2021-2022	Adjustments 2021-2022	Final Budget 2021-2022	Actual on comparable basis 2021-2022	Performance difference 2021-2022	% Var	Notes
	Kshs	Kshs	Kshs	Kshs	Kshs		
Fees Income	3,450,000	-	3,450,000	3,600,000	150,000	4%	
Interest from Bank Deposit	2,000,000	-	2,000,000	4,212,933	2,212,933	111%	i
Investment Income	35,000,000	-	35,000,000	17,561,714	(17,438,286)	-50%	ii
Miscellaneous Income	6,300,000	-	6,300,000	1,329,578	(4,970,422)	-79%	iii
Retirement Benefits Levy	1,034,223,364	-	1,034,223,364	1,061,641,301	27,417,937	3%	
Statutory Penalty	-	-	-	1,625,517	1,625,517	100%	iv
Tribunal Fees	300,000	-	300,000	50,255	(249,746)	-83%	v
Revenue from development partners	20,000,000	-	20,000,000	-	(20,000,000)	-100%	vi
Total Trading Income	1,101,273,364	-	1,101,273,364	1,090,021,298	(11,252,066)	-1.02%	
Gross Profit	1,101,273,364	-	1,101,273,364	1,090,021,298	(11,252,066)		
Expense							
Bank Charges	1,000,000	200,000	1,200,000	1,149,482	50,518	4%	
Board Expenses	27,288,200	-	27,288,200	22,075,062	5,213,138	19%	vii
Cleaning Expenses	5,000,000	-	5,000,000	1,596,500	3,403,500	68%	viii
Consumer sensitization	28,440,000	(4,370,500)	24,069,500	15,533,352	8,536,148	35%	ix
Depreciation	69,214,000	-	69,214,000	42,948,637	26,265,363	38%	x
Financial Literacy (Scheme Visit)	64,000	-	64,000	-	64,000	100%	xi
Hire of Equipment	2,749,000	-	2,749,000	429,754	2,319,246	84%	xii
Information Technology Systems	64,537,000	(2,436,696)	62,100,304	49,249,678	12,850,626	21%	xiii
Library Expenses	2,000,000	-	2,000,000	799,876	1,200,124	60%	xiv
Maintenance Insure & Security of Equipment	15,340,000	(3,680,000)	11,660,000	3,333,662	8,326,338	71%	xv
Medical Expenses	27,552,000	-	27,552,000	27,681,968	(129,968)	0%	
Market conduct	22,175,000	11,550,000	33,725,000	25,738,006	7,986,994	24%	xvi
Motor Vehicle Maintenance & Security	4,720,000	780,000	5,500,000	5,201,714	298,286	5%	
Office Running Expenses	6,650,000	(1,710,000)	4,940,000	1,331,300	3,608,700	73%	xvii
Catering services	5,902,000	-	5,902,000	3,171,357	2,730,643	46%	xviii
Pension Contribution	60,867,000	-	60,867,000	45,592,893	15,274,107	25%	xix
Pension Education (Electronic Media)	10,300,000	-	10,300,000	8,795,800	1,504,200	15%	xx
Personnel Emoluments	334,942,996	-	334,942,996	294,216,613	40,726,383	12%	xxi
Post & Telephone	8,080,000	-	8,080,000	4,009,839	4,070,161	50%	xxii
Power & Lighting	8,520,000	-	8,520,000	5,935,236	2,584,764	30%	xxiii

**Retirement Benefits Authority**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2022.**

	Original Budget 2021-2022	Adjustments 2021-2022	Final Budget 2021-2022	Actual on comparable basis 2021-2022	Performance difference 2021-2022	%Var	Notes
	Kshs	Kshs	Kshs	Kshs	Kshs		
Professional Charges	93,954,804	(3,361,704)	90,593,100	47,214,125	43,378,976	48%	xxiv
Rent & Ground Rates	40,382,000	6,000,000	46,382,000	43,927,273	2,454,727	5%	
Research & Development	68,877,000	(23,664,520)	45,212,480	38,464,129	6,748,351	15%	xxv
Sports & Recreation	18,120,000	(5,500,000)	12,620,000	10,610,989	2,009,011	16%	xxvi
Training & Development	20,490,000	8,724,520	29,214,520	26,866,292	2,348,228	8%	
Travel & Accommodation	55,380,000	17,296,900	72,676,900	63,100,612	9,576,288	13%	xxvii
Tribunal Expenses	13,922,000	-	13,922,000	12,962,458	959,543	7%	
Conference services	14,800,000	(6,804,000)	7,996,000	4,998,770	2,997,230	37%	xxviii
Promotional Materials	4,300,000	(407,000)	3,893,000	3,533,365	359,635	9%	
Sponsorship	10,000,000	-	10,000,000	6,224,755	3,775,245	38%	xxix
Supervision of Schemes	29,032,000	-	29,032,000	9,724,176	19,307,824	67%	xxx
Hire of Transport	1,200,000	3,500,000	4,700,000	4,128,094	571,907	12%	xxxi
Printing and Stationery	4,800,000	1,800,000	6,600,000	5,969,649	630,351	10%	
Partition and repairs	400,000	-	400,000	-	400,000	100%	xxxii
Subscription to Professional Bodies	5,917,000	2,083,000	8,000,000	7,751,415	248,585	3%	
<b>Total Expenses</b>	<b>1,086,916,000</b>	<b>-</b>	<b>1,086,916,000</b>	<b>844,266,828</b>	<b>242,649,172</b>	<b>22%</b>	
Gain/loss on Sale of Assets							
<b>Surplus before 90% provision</b>	<b>14,357,364</b>		<b>14,357,364</b>	<b>245,754,469</b>			

## **Notes Budget Variances**

### **i) Interest from bank deposits**

The Authority budgeted to earn Kshs. 2 million on interest from bank deposits. During the period, the Authority earned Kshs. 4.2 million indicating a positive variance of Kshs. 2.2 million. The positive variance is due to interest earned from the mortgage facility at KCB where any un-utilized funds are required to earn the Authority interest at market rate. Due to the accumulation of repayments into the fund, the amounts available for investment was higher than projected.

### **ii) Investment Income**

The Authority invests funds that are not for immediate use in treasury bills to earn additional income. In the year under review the Authority, earned Kshs. 17.4 million against a budget of Kshs. 35.0 million resulting to negative variance of Kshs. 17.4 million. The actual return earned from investment in treasury bills was based on non-competitive bidding whose rate was lower than those anticipated during the budgeting cycle. In addition, funds available for investment were lower than the projected. Hence, the negative variance.

### **iii) Miscellaneous Income**

During the year the Authority received Kshs. 1.3 million against a budget of Kshs. 6.3 million. The Authority never realized any cash inflows from some of the projected areas such as sale of tenders and disposal of assets that were donated to various institutions.

### **iv) Statutory Penalties**

The Authority does not budget to earn income from statutory penalties. However, during the year, the Authority earned Kshs. 1.6 million in

form of penalties levied to service providers and schemes due to non-compliance.

### **v) Tribunal Fees**

In the year under review, the Authority received Kshs. 50,255 for tribunal filing fees against a budget of Kshs. 300,000. During the year, there were fewer cases filed at the tribunal compared to the previous years.

### **vi) Revenue from development partners**

The Authority expected to receive revenue from development partners of Kshs. 20 million but nothing materialized.

### **vii) Board Expenses**

The board expenses stood at Kshs. 22.1 million against a budget of Kshs. 27.3 million. The under expenditure of Kshs. 5.2 million was due to vacancy in membership during the year.

### **viii) Cleaning**

The Authority spent Kshs. 1.6 million against a budget of Kshs. 5.0 million. The under expenditure of Kshs. 3.4 million is attributable to the non-acquisition of additional floor space which would have resulted in an increase in the cleaning expenses. Additionally, the budget had factored in continuation of strict adherence to the Covid-19 requirements were relaxed as the country experienced reduction in the infection levels.

### **ix) Consumer Sensitization**

The Authority spent Kshs. 15.5 million against a budget of Kshs. 24.1 million resulting to under expenditure of Kshs. 8.5 million. The Authority planned to conduct open days in three regions but only managed to carry out two, with the

**Retirement Benefits Authority  
Annual Reports and Financial Statements  
for the year ended June 30, 2022.**

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last one conducted in Mombasa County in collaboration with Huduma Kenya Secretariat resulting to savings.

**x) Depreciation**

During the year the Authority provided for depreciation of Kshs 42.9 million against a budget of Kshs. 69.2 million resulting to a variance of Kshs. 26.3 million. The under provisioning was due to under absorption of capital budget where the Authority planned to acquire additional floor spaces, carry out partitions and purchase new furniture. However, this did not materialize.

**xi) Financial Literacy**

The Authority planned to engage Kenya Institute of Curriculum Development (KICD) on inclusion of pension education in the primary and secondary curriculum. The planned engagements were relocated to Nairobi resulting to reduction in expenses incurred.

**xii) Hire of Equipment**

During the year under review the Authority budgeted Kshs 2.7 million while actual expenditure stood at Kshs. 0.4 million. The lower expenditure arose as the procurement of new equipment was stalled due to delay in recruitment of additional staff. Also, the acquisition of new equipment reduced the expenditure.

**xiii) Information Technology systems**

The Authority spent Kshs. 49.2 million against a budget of Kshs. 62.1 million resulting to under expenditure of Kshs. 12.9 million. The under expenditure was due to anticipated acquisition of additional licenses pegged on recruitment of new staff, new office space and other related ICT expenditures.

**xiv) Library Expenses**

The Authority spent Kshs. 0.8 million against budget of Kshs. 2.0 million resulting to under expenditure of Kshs. 1.2 million. The under expenditure was due to anticipated purchase of library books which had not been procured at the end of the year.

**xv) Maintenance and Insurance of Equipment**

The Authority budgeted to spend Kshs 11.7 million while actual expenditure stood at Kshs. 3.3 million hence a negative variance of Kshs. 8.3 million. The Authority planned to acquire additional equipment's for the planned new staff and other office equipment's for the additional floor, these could not take place since the recruitments were not undertake and the additional floor was not acquired.

**xvi) Market conduct**

The Authority budgeted to spend Kshs. 33.7 million on the vote while the actual expenditure stood at Kshs. 25.7 million. The under expenditure was due to anticipated bench marking on administrators' development programme which was rescheduled to the new financial year.

**xvii) Office running expenses.**

The Authority budgeted to spend Kshs. 4.9 million while actual expenditure stood at Kshs. 1.3 million during the year under review resulting in under expenditure of Kshs. 3.6 million. The expense line is directly linked to the increase in staff compliment which did not take place.

**xviii) Catering expenses**

The Authority budgeted Kshs. 5.9 million while actual expenditure stood at Kshs 3.2 million, hence a variance of Kshs 2.7 million. An increase in personnel had been factored in during

preparation of the budget. However, this did not take place as planned leading to the under absorption.

**xix) Pension contribution**

The Authority spent Kshs. 45.6 million against a budget of Kshs. 60.9 million resulting to under expenditure of Kshs. 15.2 million. The Authority had planned to undertake recruitments which did not take place in light of the delay in the approval of the Human Resource Instruments. Further, there were exits in the year under review.

**xx) Pension Education (Electronic Media)**

The Authority budgeted to spend Kshs. 10.3 million; however actual expenditure stood at Kshs. 8.9 million, resulting in a variance of Kshs. 1.5 million. The under expenditure was due to cost-effectiveness during the procurement of the planned services.

**xxi) Personnel emoluments**

Actual expenditure stood at Kshs. 294.2 million against a budget of Kshs. 334.9 million resulting to a negative variance of Kshs. 40.7 million. The Authority had planned to undertake a major recruitment exercise which did not take place in light of the delay in approval of the Human Resource Instruments. Similarly, staff exits in the year contributed to the under absorption.

**xxii) Post and Telephone**

The Authority budgeted to spend Kshs. 8.1 million while actual expenditure stood at Kshs. 4.0 million resulting to a variance of Kshs. 4.1 million. The Authority anticipated increase in internet expenditure due to procurement of additional floor and recruitment of additional staff, which did not happen during the year.

**xxiii) Power and lighting**

Actual expenditure on electricity stood at Kshs. 5.9 million against budget of Kshs. 8.5 million resulting to a variance of Kshs. 2.5 million. The Authority anticipated increase in cost of electricity after the acquisition of additional space and increase in electricity tariffs.

**xxiv) Professional Charges**

The Authority budgeted to spend Kshs. 90.6 million while actual expenditure stood at Kshs. 47.2 million resulting to an under-expenditure of Kshs. 43.4 million. The under expenditure was attributable to the several factors. In carrying the research papers and strategic plan review, the evaluated bids prices were considerably lower than budget, due to the competitive procurement process. In addition, the planned activities linked to the approval of the HR instruments were not undertaken awaiting finalization of the instruments. Finally, the planned archiving exercise did not take place as the floated tender was nonresponsive.

**xxv) Research and Development**

The Actual expenditure stood at Kshs. 38.4 million against a budget of Kshs. 45.2 million resulting in a variance of Kshs. 6.7 million. During the year, there was enhanced inter-departmental collaboration on activities targeting the industry hence the low expenditure.

**xxvi) Sports & Recreation**

The Authority budgeted to spend Kshs. 12.6 million, however the actual expenditure in the period stood at Kshs. 10.6 million. The under expenditure was due to efficiency earned through consolidation staff activities.

**xxvii) Travel and accommodation**

The Actual expenditure stood at Kshs. 63.1 million against budget of Kshs. 72.7

million resulting in a variance of Kshs. 9.6 million. The under expenditure was contributed by the stalled activities relating to finalization of the HR instruments.

**xxviii) Conference service**

The Authority budgeted to spend Kshs. 8.0 million whereas the actual expenditure stood at Kshs. 5.0 million. The under expenditure of Kshs. 3.0 million was due to postponement of some activities that were pegged on the approval of the human resource instruments such as job evaluation.

**xxix) Sponsorship**

The Authority budgeted Kshs. 10.0 million whereas actual expenditure stood at Kshs. 6.2 million. The under expenditure is due to the Authority's selective approach on activities to support based on the recommendations of the Corporate Social Responsibility (CSR) committee. Similarly, the Authority budgeted to utilize Kshs. 2 million in promotion of FiRe award but the actual expenditure in the year reduced to Kshs. 1 million leading to a saving.

**xxx) Supervision of Schemes**

The Authority budgeted Kshs. 29.0 million while actual expenditure stood at Kshs. 9.7 million. The Authority budgeted Kshs. 29.0 million while actual expenditure stood at Kshs. 9.7 million. The under-utilization was attributed to interruptions in holding joint meetings with key stakeholders to advocate for implementation of the repealed National Social Security Fund Act 2013 and Public Service Superannuation Act. Further, during the year the Authority consolidated several planned activities relating to enhancement of the regulatory framework that resulted in savings to the institution. Lastly, as the country recovered from the covid-19

restrictions, some inspections were conducted virtually also resulting to cost savings.

**xxxi) Hire of Transport**

The Authority budgeted to spend to spent Kshs 4.7 million compared to the actual of Kshs 4.1 million resulting to a savings of Kshs 0.5 million. The Authority utilized its own vehicle to facilitate coordination of the activities.

**xxxii) Partition and repairs**

The Authority budgeted to spend Kshs. 0.4 million on partition of procurement store. However, the expenditure was not executed due to the uncertainty in the continued occupancy of the building which was experienced in an attempt to acquire additional office space.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Retirement Benefits Authority is established by and derives its authority and accountability from Retirement Benefits Act of 1997. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to regulate and supervise the establishment and management of retirement benefits schemes.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Authority's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Authority*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Retirement Benefits Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid-19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Authority's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Authority's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p>

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Standard	Effective date and impact:
	<p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Authority.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance relating to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul>

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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Authority intend to ensure early adoption of this standard from 2022-2023 Financial year.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The Authority will adopt the same in the next reporting cycle.</p>

**iii. Early adoption of standards**

The Entity did not early – adopt any new or amended standards in year 2021/2022.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes, and fines**

The Authority recognizes revenues from fees, levies and fines when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds. During the period the Authority did not receive funds from other government entities.

**Rendering of services**

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the National Treasury on 30<sup>th</sup> June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority did not record any additional appropriations in the 2021-2022 budget following the governing body's approval.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**c) Property, plant, and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The Authority used the reducing balance method to depreciation and amortization of non-current assets over their useful lives as follows;

<b>Type of Fixed Asset</b>	<b>Rate of Depreciation</b>
Motor Vehicles	25.00%
Furniture and Fittings	12.5%
Plant and Equipment	30.00%
Computer and accessories	33.33%
Software	20.00%

**d) Leases**

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**f) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**g) Financial instruments**

**(a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit,

loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an Entity of financial assets is impaired. A financial asset or an Entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an Entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

**(b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition., All financial

liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**h) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**i) Contingent liabilities**

The Authority does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**j) Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains minimal reserves from 10% surplus retained after submission of 90% surplus to the National exchequer. The reserves are meant for acquisition and replacement of non-current assets.

**l) Changes in accounting policies and estimates**

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Employee benefits**

**Retirement benefit plans**

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) Related parties**

The Authority regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of directors, the CEO, and senior managers.

**p) Service concession arrangements**

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**r) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**s) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent

liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### **Useful lives and residual value**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**Notes to the Financial Statements (Continued)**

**6. Revenue from Non-Exchange Transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Retirement Benefits Levy	1,061,641,301	993,344,383
Service Provider Licensing Fee	3,600,000	3,450,000
Statutory Penalty	1,625,517	378,783
<b>Total</b>	<b>1,066,866,818</b>	<b>997,173,166</b>

**7. Revenue from Exchange Transactions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest income from Treasury Bills	17,561,714	9,529,044
Interest income from bank deposits	4,212,933	3,130,257
<b>Total</b>	<b>21,774,647</b>	<b>12,659,301</b>

**8. Other Incomes**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Tribunal Fee	50,255	152,125
Miscellaneous Income	1,329,578	14,931,200
Insurance Claims Receipts	-	21,922,038
<b>Total</b>	<b>1,379,833</b>	<b>37,005,363</b>

The Authority changed the policy on recognition of Insurance compensations to staff which was fully captured as other incomes in the year 2020-2021 FY. This year under review such insurance compensations were captured as balance sheet events where the liability account was created, and a corresponding payment done from the account to reduce the liability. Where the amount payable to employee is less than the amount awarded the difference is captured as miscellaneous income in the statement of financial performance.

**9. Employee Costs**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Personnel Cost	294,216,613	318,937,017
Pension contributions	45,592,893	59,018,225
Medical expenses	27,681,968	26,410,123
Insurance claims	-	20,595,000
<b>Total</b>	<b>367,491,473</b>	<b>424,960,365</b>

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Employee cost for 2020-2021 FY include insurance claims paid or payable to staff as awarded by the GPA service provider. The treatment and recognition of the claims was changed to balance transaction where a relevant liability account was created to hold the funds held in trust and payments to employees are done in the same account to reduce the amount liability.

**10. Remuneration of Directors**

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman's Honoraria	880,000	960,000
Directors' emoluments	21,195,062	9,019,283
<b>Total</b>	<b>22,075,062</b>	<b>9,979,283</b>

**11. Depreciation and Amortization Expense**

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant, and equipment	42,948,637	55,170,857
<b>Total</b>	<b>42,948,637</b>	<b>55,170,857</b>

**12. Repairs and Maintenance**

Description	2021-2022	2020-2021
	Kshs	Kshs
Equipment and machinery	3,333,662	2,611,435
Motor Vehicle	5,201,714	3,168,490
<b>Total</b>	<b>8,535,375</b>	<b>5,779,925</b>

**13. General Expenses**

Description	2021-2022	2020-2021
	Kshs	Kshs
Market conduct	25,738,006	20,107,065
Pension Industry Development	8,795,800	31,652,800
Consumer sensitization	15,533,352	14,220,487
Supervision of schemes	9,724,176	3,630,185
Professional Charges	47,214,125	30,523,409
Conference services	4,998,770	-
Cleaning Expenses	1,596,500	2,760,886
Power & Lighting	5,935,236	5,957,487
Official Entertainment	3,171,357	2,272,165
Office Running Expenses	1,331,300	6,297,229
Library Expenses	799,876	2,779,793
Rent & Ground Rates	43,927,273	39,381,538
Training & Development	26,866,292	17,636,525

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Description	2021-2022	2020-2021
	Kshs	Kshs
Staff welfare- Sports & recreation	10,610,989	8,067,402
Post & Telephone	4,009,839	11,344,268
Travel & Accommodation	63,100,612	30,033,794
Tribunal expenses	12,962,458	6,498,405
Hire of Equipment	429,754	1,597,077
Hire of Transport	4,128,094	1,202,523
Research & Development	38,464,129	23,627,709
Information & Technology Systems	49,249,678	16,879,980
Printing & stationery expenses	5,969,649	1,614,852
Promotional Materials	3,533,365	6,389,237
Sponsorship	6,224,755	3,969,336
Subscription to Professional Bodies	7,751,415	6,321,217
<b>Total General Expenses</b>	<b>402,066,800</b>	<b>294,765,370</b>

The Authority witnessed increase in the general expenses in the year review due to relaxation of covid restrictions which enabled the Authority to undertake its activities adequately.

**14. Bank Charges**

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank charges	1,149,482	887,430
<b>Total</b>	<b>1,149,482</b>	<b>887,430</b>

**15. Remittance to National Treasury**

Description	2021-2022	2020-2021
	Kshs	Kshs
90% surplus remitted		199,018,355
<b>Total</b>		<b>199,018,355</b>

In 2019/2020 FY, there was a shift in the recognition of surplus payable to National Treasury and Economic Planning from cash basis to accrual basis. Transition is complete and any entry relating to surplus remittance to National Treasury is reported in Note 21.

16. Cash and Cash Equivalents

	2021-2022	2020-2021
Description	Kshs	Kshs
<b>Receivables</b>		
Cash at Bank and Hand	224,765,993	145,310,938
Treasury Bills Investment	588,546,000	589,568,000
<b>Total Current Receivables</b>	<b>813,311,993</b>	<b>734,878,938</b>

16 (a) Detailed Analysis of Cash at Bank and Hand

	2021-2022	2020-2021
Financial Institution	Kshs	Kshs
<b>a) Current Account</b>		
Kenya Commercial Bank Main Account	35,905,389	93,766,739
Kenya Commercial Bank Revenue Account	161,126,963	39,492,227
ABSA account	645,104	647,634
NCBA Account	27,076,976	11,404,338
<b>Sub- Total</b>	<b>224,754,432</b>	<b>145,310,938</b>
<b>b) Others (Specify)</b>		
Cash In Hand	11,561	-
<b>Sub- Total</b>	<b>11,561</b>	<b>-</b>
<b>Grand Total</b>	<b>224,765,993</b>	<b>145,310,938</b>

17. Receivables from Non-Exchange Transactions

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest receivable on T-bills	3,291,758	4,672,044
Receivables from National Treasury	-	2,414,400
RBA Levy Receivable	18,027,188	17,887,916
<b>Total</b>	<b>21,318,947</b>	<b>24,974,360</b>

18. Receivables from Exchange Transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Sundry Debtors	1,525,272	4,350,852
Prepayable	-	1,218,388
Staff outstanding Imprest	-	(4,699)
Provision for doubtful debt	(919,647)	(919,647)
<b>Total</b>	<b>605,625</b>	<b>4,644,894</b>

**18 (b) Prior Year Adjustment**

Prior year adjustment of (Kshs. 4,043,968) on sundry debtors and Receivable from exchange transaction to correct treatment of prepayments of Kshs. 1,218,388 that was to be expensed in previous years and sundry debtors of Kshs. 2,825,580 received and erroneously posted as miscellaneous income.

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**Notes to the Financial Statements (Continued)**

**19. Property, Plant and Equipment**

	Motor Vehicles	Furniture and fittings	Plant & Equipment	Computer & Accessories	Software	Total
<b>COST</b>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	43,612,067	46,424,640	222,121,652	2,184,744	139,433,847	453,776,949
Additions	0	2,548,485	1,738,500	618,953	0	4,905,938
Disposals	0	0	0	0	0	0
Transfers/ adjustments	0	0	0	0	0	0
At 30th June 2021	43,612,067	48,973,125	223,860,152	2,803,697	139,433,847	458,682,888
Additions	0	1,150,953	1,758,582	31,494,954	0	34,404,489
Disposals	0	0	0	0	0	0
Transfers/ adjustments	0	0	0	0	0	0
At 30th June 2022	43,612,067	50,124,078	225,618,734	34,298,651	139,433,847	493,087,376
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1st July 2020	31,479,088	27,154,534	135,814,915	720,966	27,886,769	223,056,271
Depreciation	3,033,245	2,727,324	26,413,571	687,301	22,309,415	55,170,857
Disposals	0	0	0	0	0	0
Transfers/ adjustments	0	0	0	0	0	0
At 30th June 2021	34,512,333	29,881,858	162,228,486	1,408,267	50,196,185	278,227,128
Depreciation	2,274,934	2,450,045	18,731,402	1,644,723	17,847,532	42,948,637
Disposals	0	0	0	0	0	0
Transfers/ adjustments	0	0	0	0	0	0
At 30th June 2022	36,787,266	32,331,903	180,959,888	3,052,990	68,043,717	321,175,765
<b>NET BOOK VALUES</b>						
At 30th June 2022	6,824,801	17,792,175	44,658,846	31,245,661	71,390,129	171,911,611
At 30th June 2021	9,099,734	19,091,267	61,631,666	1,395,430	89,237,662	180,455,759

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**20. Investments**

Description	2021-2022	2020-2021
	Kshs	Kshs
RBA Rent Guarantee Deposit	8,354,778	8,354,778
KCB car loan security account	36,005,248	36,005,248
KCB mortgage deposits	259,196,503	256,745,331
NCBA car loan deposit	5,499,017	11,612,887
HF mortgage deposits	94,733,861	72,164,692
<b>Total</b>	<b>403,789,406</b>	<b>384,882,936</b>

The Authority's investments increase in the year under review due to the increase in deposits to the various schemes, the growth is also associated to the compounding of interests earned from the funds by the authority within the schemes.

**21. Payable to National Treasury**

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance b/f	229,765,141	-
90% Surplus	221,179,022	2s29,765,141
Surplus paid during the year	(228,789,152)	-
<b>Total</b>	<b>222,155,011</b>	<b>229,765,141</b>

**22. Insurance Claims held in Trust**

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance b/f	19,800,000	-
Insurance Compensations received	14,016,438	-
Insurance Compensations Paid	(13,584,240)	-
Transfer to Miscellaneous income	(432,198)	-
<b>Total</b>	<b>19,800,000</b>	<b>-</b>

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**23. Employer Benefit Obligations**

Description	2021-2022	2020-2021
	Kshs	Kshs
Staff bonus	43,945,545	28,652,545
Staff gratuity	10,710,000	8,403,600
Board bonus	6,400,000	3,200,000
<b>Total</b>	<b>61,055,545</b>	<b>40,256,145</b>

**24. Creditors**

Description	2021-2022	2020-2021
	Kshs	Kshs
RBA Levy Over Payment	24,551,500	21,333,979
Creditors	90,024,016	65,661,592
<b>Total</b>	<b>114,575,516</b>	<b>86,995,571</b>

The creditors outstanding at the end of the year relate to supplier payments which were yet to be paid at the end of the financial year but had been committed and services rendered. The Authority's policy is to pay all suppliers within 30 days credit period. The above creditors payments were within credit period hence did not constitute pending bills.

**25. Capital Fund**

Description	2021-2022	2020-2021
	Kshs	Kshs
Capital Fund (Seed Capital)	45,457,000	45,457,000
Grant from FSSP	221,350,821	221,350,821
Additional GOK Grants (FLSTP) project	63,900,000	63,900,000
<b>Total</b>	<b>330,707,821</b>	<b>330,707,821</b>

**26. Accumulated Surplus**

Description	2021-2022	2020-2021
	Kshs	Kshs
General reserve fund	238,826,645.00	238,826,645
Net Profit (accumulated)	399,241,596.97	377,756,105
Net Profit (current year)	24,575,447.33	25,529,460
<b>Total</b>	<b>662,643,689.30</b>	<b>642,112,210</b>

## **27. Financial Risk Management**

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below:

### **i) Credit risk**

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

### **ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium, and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

### **iii) Market risk**

The Authority continues to assess and monitor market risk and on an ongoing basis, evaluate and test the effectiveness of its mitigation measures against this risk.

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Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**b) Interest rate risk**

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

**iv) Capital Risk Management**

The objective of the Authority's capital risk management is to safeguard its ability to continue as a going concern. The Authority's capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Capital Reserve	330,707,821	330,707,821
General Reserves	238,826,645	238,826,645
Retained Earnings	427,861,013	403,285,565
<b>Total</b>	<b>997,395,479</b>	<b>972,820,031</b>

**28. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Authority.

**Other related parties include:**

- i) The Ministry of National Treasury and Planning.
- ii) Chief Executive Officer
- iii) Key management.
- iv) Board of directors.

### **29. Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Surplus Remission has been computed as follows:

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus for the period	245,754,469	255,294,601
Less: Allowable deductions by NT	0	0
90% Computation (Included in Statement of Financial Performance)	221,179,022	229,765,141

### **30. Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

### **31. Ultimate And Holding Entity**

The Authority is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of National Treasury and Planning. Its ultimate parent is the Government of Kenya.

### **32. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**APPENDIX I: RETIREMENT BENEFITS INDUSTRY REPORT FOR JUNE 2022**

**1.0 OVERALL ASSETS UNDER MANAGEMENT**

The retirement benefits assets under management dropped by 2.09 percent from Kshs. 1,547.43 billion in December 2021 to Kshs. 1,515.16 billion in June 2022. The marginal drop in the growth of the assets during the half year period can partly be attributed to the volatility in the financial market following the adverse effects of the Covid-19 pandemic which negatively impacted the financial markets and the wider economy since 2020. Equally, the uncertainties during the 2022 electioneering period also affected the performance of the assets. However, compared to the same period last year, the assets grew slightly by 2.5 percent, up from Kshs. 1,478.18 billion in June 2021. The fund managers and approved issuers held majority of the assets amounting to Kshs. 1,426.74 billion. The assets under management included Kshs. 234.09 billion of NSSF funds, which were managed by six (6) external fund managers. The National Social Security Fund (NSSF) internally managed a total of Kshs. 48.34 billion of investments<sup>7</sup>, while the trustees of the various schemes directly managed Kshs. 40.1 billion of property investments<sup>8</sup>.

The schemes continued to invest heavily in government securities with the asset class accounting for 45.90 percent of the total assets under management. This was followed by guaranteed funds which accounted for 18.78 percent; investments in immovable property and quoted equities accounting for 15.79 percent and 13.60 percent of the total assets under management respectively. Investments in guaranteed funds, fixed deposits and cash increased by 9.52 percent, 30.78 percent, 116.52 percent respectively compared to December 2021, this is partly due to the shift to safer and “risk free” assets due to the volatility in the stock market and the uncertainty arising from the political climate in the country during the period. Investments in government securities, quoted equities, offshore and Reits recorded a drop during the period due to the dampened performance in the financial markets, unfavorable macroeconomic conditions and the global uncertainties owing to the Russia-Ukraine conflict. Investment in immovable property also dropped during the period partly due disposal of property by some of the schemes to meet the statutory limit. Investment in alternative assets such as private equity & venture capital continued to be attractive to schemes due their diversification effects, which increased by 14.8 percent. Investment under the “any other assets” category also increased from Kshs. 1.12 billion to Kshs. 2 billion accounting for 0.13 percent of the total assets under management. The table below provides detailed aggregate investments by schemes in the various asset class category.

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<sup>7</sup> This includes property amounting to Kshs. 39.81 billion; fixed deposits, Kshs. 3.34 billion; Quoted equities, Kshs. 4.89 billion; and unlisted shares, Kshs. 305.4 million.

<sup>8</sup> The data of the internally managed property was extracted from the Schemes Financial Accounts for the year 2020 and 2021. The decrease in the internally managed property over the periods can be attributed to the directive issued by the Authority requiring schemes to relinquish the investment of scheme funds to fund managers.

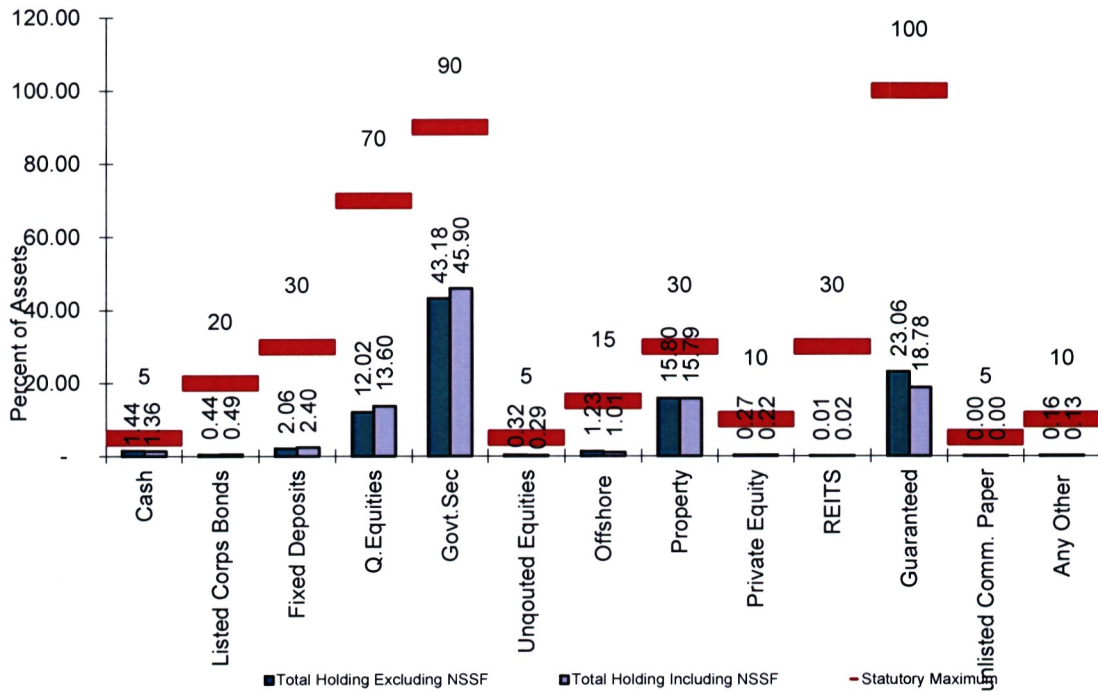
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**OVERALL INDUSTRY INVESTMENT PORTFOLIO (KSHS. BILLION)**

	Assets Category	Dec. 2019		June 2020		Dec.2020		June 2021		Dec.2021		June 2022	
		Kshs	%	Kshs	%	Kshs.	%	Kshs.	%	Kshs.	%	Kshs.	%
1	Government Securities	545.27	41.88	581.82	43.99	625.65	44.72	652.11	44.12	706.99	45.69	695.51	45.90
2	Quoted Equities	228.12	17.52	187.47	14.17	218.12	15.59	249.79	16.90	254.60	16.45	206.13	13.60
3	Immovable Property	239.65	18.4	246.14	18.61	251.27	17.96	247.35	16.73	254.51	16.45	239.22	15.79
4	Guaranteed Funds	201.52	15.48	221.39	16.74	230.60	16.48	247.52	16.74	259.79	16.79	284.51	18.78
5	Listed Corporate Bonds	17.8	1.66	9.24	0.70	5.25	0.38	2.90	0.20	6.80	0.44	7.40	0.49
6	Fixed Deposits	39.41	3.03	44.75	3.38	39.04	2.79	37.07	2.51	27.85	1.80	36.42	2.40
7	Offshore	6.32	0.49	5.92	0.45	11.38	0.81	16.73	1.13	19.41	1.25	15.24	1.01
8	Cash	14.96	1.15	21.82	1.65	12.24	0.87	17.91	1.21	9.54	0.62	20.66	1.36
9	Unquoted Equities	3.61	0.28	2.5	0.19	3.42	0.24	3.40	0.23	3.48	0.23	4.38	0.29
10	Private Equity	0.969	0.07	1.17	0.09	1.67	0.12	2.50	0.17	2.96	0.19	3.40	0.22
11	REITS	0.503	0.04	0.29	0.02	0.28	0.02	0.14	0.01	0.37	0.02	0.27	0.02
12	Commercial Paper, Non-listed bonds by Private companies	0.059	0	0.078	0.01	0.04	0.00	0.02	0.001	0.01	0.00	0.02	0.001
13	Any Other Assets							0.73	0.05	1.12	0.07	2.00	0.13
	<b>TOTAL</b>	<b>1,298.19</b>	<b>100.00</b>	<b>1,322.59</b>	<b>100.00</b>	<b>1,398.95</b>	<b>100.00</b>	<b>1,478.18</b>	<b>100.00</b>	<b>1,547.43</b>	<b>100.00</b>	<b>1,515.16</b>	<b>100.00</b>

On average, all categories of investment were within the statutory investment limits provided in the Retirement Benefits Regulations.

**OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM**

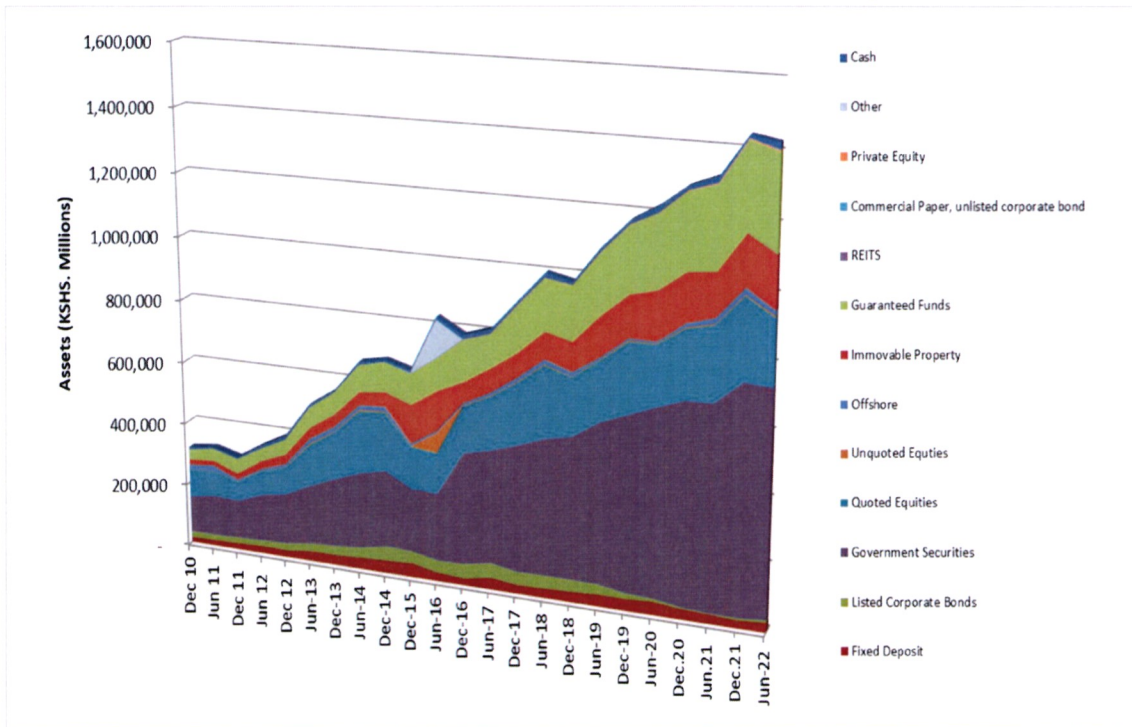


**2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS**

For the period ending June 2022, 17 fund managers and 17 approved issuers, submitted 1,164 scheme reports with a total fund value of Kshs. 1,426.7 billion representing 1.04 percent decrease in the total assets under management. The assets dropped from Kshs. 1,441.64 billion in December 2021. Compared to the same period last year (June 2021), this was a 8.14 percent increase in the total assets under fund management, up from Kshs. 1,319.31 billion in June 2021. The total assets managed by fund managers amounted to Kshs. 1,142.22 billion while the approved issuers managed only Kshs. 284.5 billion despite managing funds of majority of the schemes<sup>9</sup>.

<sup>9</sup> The Fund Managers submitted 457 scheme reports while the approved issuers submitted 707 scheme reports.

**ASSETS UNDER FUND MANAGEMENT (DEC. 2010 – JUNE 2022)<sup>10</sup>**

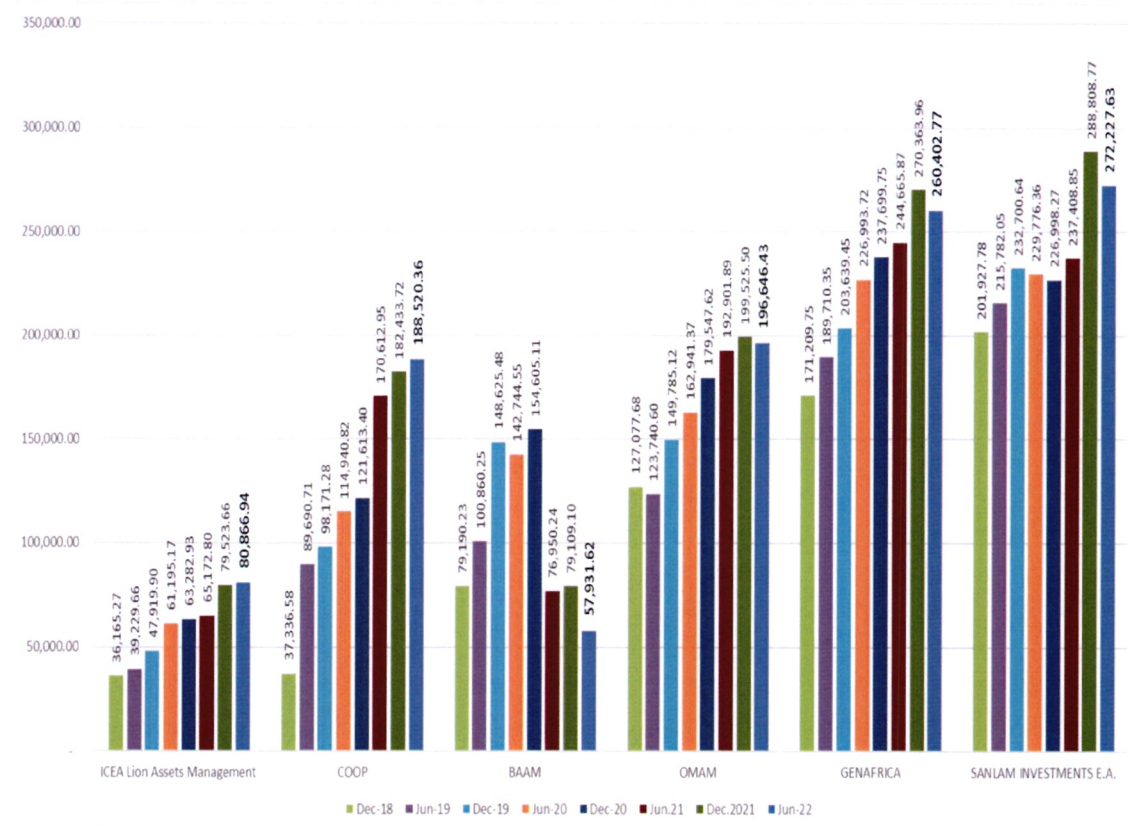


In terms of investments by specific fund managers and approved issuers, Sanlam Investments East Africa Company had the largest share of assets under management amounting to Kshs. 272.23 billion which translates to 19.08 percent of the total assets under fund management, this was followed by GenAfrica asset managers in position two with assets amounting to Kshs. 260.4 billion which translates to 18.25 percent of the total assets under fund management. The top five fund managers during the period were Sanlam Investments East Africa, GenAfrica Asset Managers, Old Mutual Investment Group Limited, Coop Trust Investment Services, and ICEA Lion Assets Management Ltd, which managed the bulk of the investments with the total assets under management (AUM) amounting to Kshs. 998.66 billion accounting for 70 percent of the entire AUM. The assets managed by British American Assets Managers dropped drastically from June 2021 due to loss of business by NSSF where it was managing over Kshs. 82.28 billion in December 2020. The analysis considered each entity according to its registration, hence, where a parent company has both an approved issuer and fund manager the two were considered as distinct entities.

<sup>10</sup> During the period June 2016, a total of Kshs. 117.55 billion of investments was reported unclassified. Over the subsequent periods, all the investments were classified.

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**ASSETS UNDER MANAGEMENT BY TOP FIVE MANAGERS (DEC. 2018 – JUNE 2022)**



**3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)**

The total investments held by NSSF decreased by Kshs. 7.86 billion to Kshs. 282.44 billion in June 2022, down from Kshs. 290.30 billion in December 2021. NSSF internally managed assets amounting to Kshs. 48.34 billion<sup>11</sup>. The externally managed funds decreased over the period by Kshs. 6.27 billion, down from Kshs. 240.36 billion in December 2021 to Kshs. 234.09 billion in June 2022. The table below shows the distribution of the NSSF funds to the various fund managers.

**NSSF PORTFOLIO MANAGED BY EXTERNAL MANAGERS**

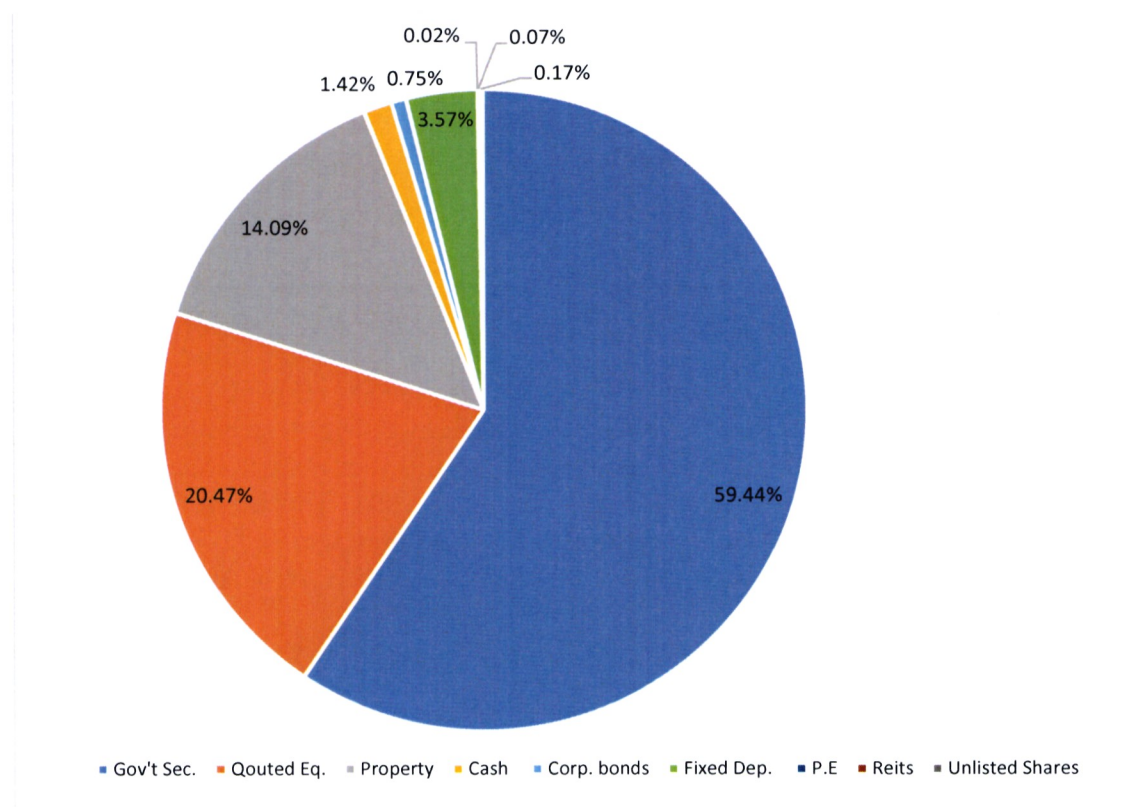
Assets in Millions							
Fund Manager	June. 19	Dec. 19	Jun-20	Dec. 2020	Jun-21	Dec. 21	Jun-22
British-American Asset Managers Limited	34,835.17	76,681.83	76,287.85	82,286.38	-	-	-
Gen Africa Asset Managers	40,557.00	44,107.34	43,437.59	47,812.12	51,643.24	56,446.47	54,457.07
ICEA Lion Asset Management Limited	-	-	-	-	-	-	-

<sup>11</sup> This includes property amounting to Kshs. 39.81 billion; fixed deposits, Kshs. 3.34 billion; Quoted equities, Kshs. 4.89 billion; and unlisted shares, Kshs. 305.4 million.

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Old Mutual Asset Managers (Kenya) Limited	33,568.29	37,822.78	38,815.51	42,197.08	46,057.90	48,288.30	46,309.44
African Alliance Kenya Investment Bank Limited	29,696.78	33,097.05	34,538.02	37,463.07	51,818.25	42,573.05	41,437.30
SANLAM Investment East Africa Ltd	-	-	-	-	-	46,041.98	43,914.04
Co-op Trust	-	-	-	-	40,736.52	46,878.40	44,960.95
CIC Asset Management Ltd	-	-	-	-	-	133.85	3,016.07
<b>Total</b>	<b>138,657.24</b>	<b>191,709.00</b>	<b>193,078.97</b>	<b>209,758.65</b>	<b>190,255.92</b>	<b>240,362.04</b>	<b>234,094.86</b>

The overall NSSF portfolio is heavily invested in government securities representing 59.44 percent of the total assets. This was followed by quoted equities and immovable property at 20.47 percent and 14.09 percent, respectively. The NSSF portfolio allocation complied with the investment guidelines.



#### 4.0 FUTURE OUTLOOK

The retirement benefits assets are expected to grow in the second half of 2022 owing to the rebound of the stock market following the just concluded peaceful elections. However, the growth will be slow due to the uncertainties arising from the Russia-Ukraine conflict. The schemes are also expected to continue to invest in alternative

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assets given the broadening of the allowable investment categories and to take advantage of the public infrastructural projects under the big four agenda.