

2020

# ANNUAL REPORT

& FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

**DEFINED CONTRIBUTION SCHEME**



**KenGen**  
**DC Scheme**





# OUR MISSION, OUR VISION & CORE VALUES



- **To provide the best retirement benefits to members through prudent investments**



- **To be a leading pension Scheme in the region that provides best-in-class service to its members**



- **Customer- Focus**
  - **Quality first as we strive to meet our customers expectation**
- **Integrity**
  - Acting ethically in every endeavor**
- **Innovation**
  - Foster creativity & innovation**



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**2019**



# Strategic Plan



**2028**

**Align Investment  
to Achieve High  
Returns While  
Protecting Capital**



## PILLAR 1

- Board focused on returns and making the right asset allocation moves
- Diversify to new high-yielding asset classes

**Improve Member  
Services and Cost  
Management**



## PILLAR 2

- Members are engaged, educated and prepared for retirement
- Improved efficiencies and system costs
- Operational efficiency and effectiveness

**Optimize Human  
Resources and  
Governance  
Functions**



## PILLAR 3

- Upholder of good corporate governance standards
- The Board is engaged, well-trained and active
- Highly motivated staff
- A high integrity and unified organization





**OUR  
BUSINESS**



## About The Scheme

The Scheme is a Defined Contribution Scheme and provides retirement benefits for the staff of Kenya Electricity Generating Company Limited (KenGen)



**1,885**

Members



**KES 6.5 B**

Assets Under  
Management (AUM).



**KenGen**  
**DC Scheme**

## Achievements



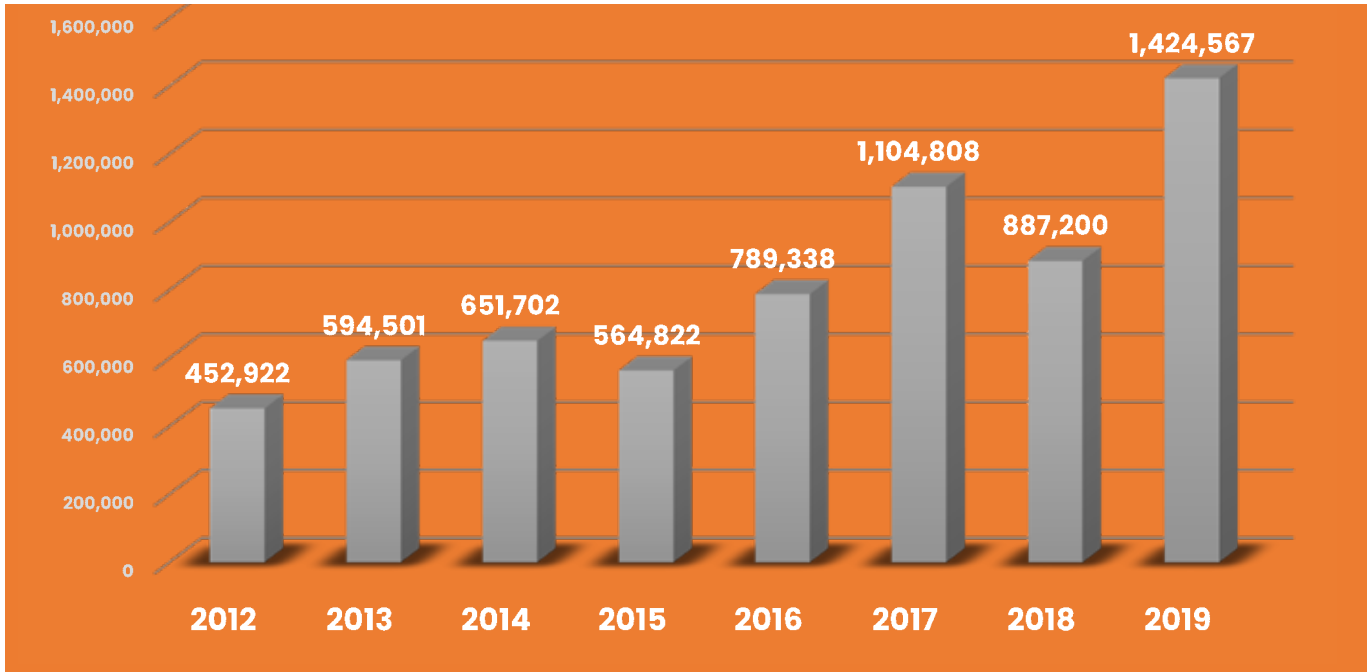
Formulation of  
the Strategic Plan  
2019-2028

**2019-2028**

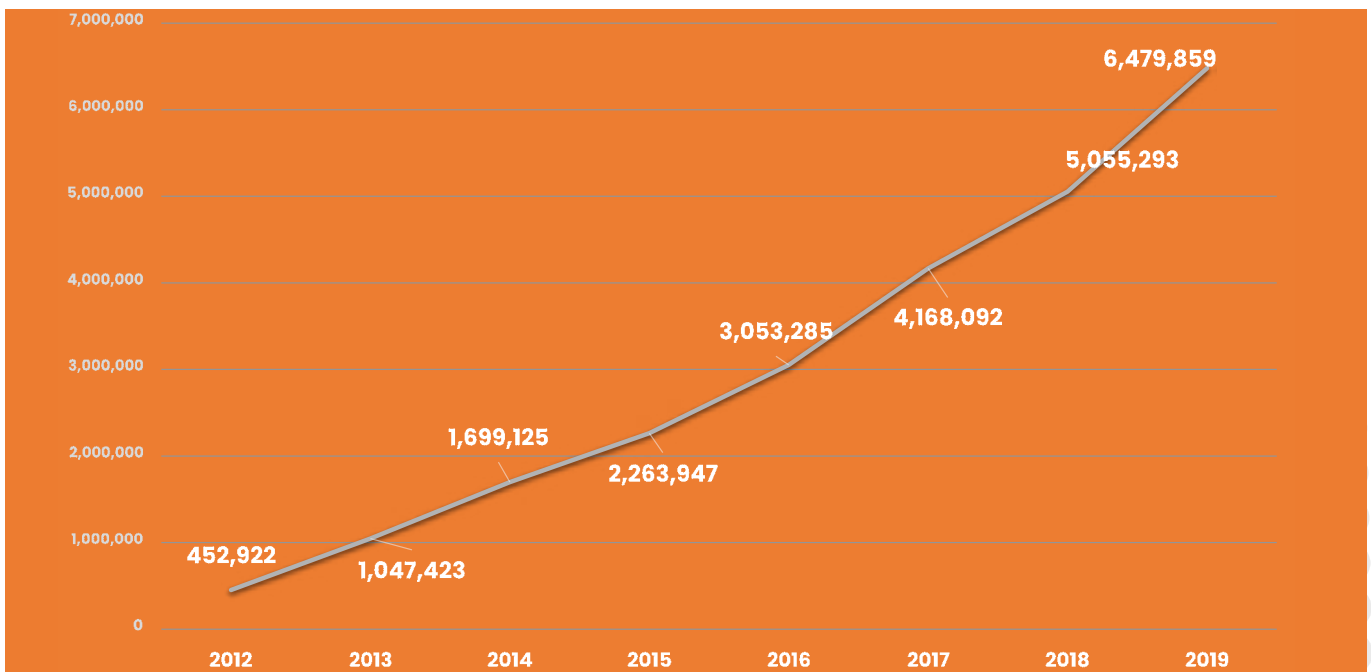


## SCHEME HIGHLIGHTS

### Increase in Net Assets



### Growth in Fund Value





## SCHEME REGISTERED OFFICE AND PROFESSIONAL ADVISORS

### REGISTERED OFFICE

KenGen Pension Plaza 2  
Kolobot Road, Parklands  
P. O Box 1811 – 00606  
Sarit Centre  
Nairobi



### INVESTMENT MANAGERS

African Alliance Investment Bank Kenya Limited  
Kenya Re ,Towers Upperhill  
P.O Box 27639– 00506  
Nairobi



### ADMINISTRATORS

Zamara Actuaries, Administrators & Consultants Limited  
Landmark Plaza  
P O Box 52439 – 00200  
Nairobi



Old Mutual Investment Group Limited  
Mara and Hospital road  
P.O Box 11589–00400  
Nairobi

### EXTERNAL AUDITORS

Deloitte & Touche  
Certified Public Accountants (Kenya)  
Deloitte place  
Waiyaki Way Muthangari  
P.O Box 40092 – 00100  
Nairobi



### CUSTODIANS

Co-operative Bank of Kenya Ltd  
Co-operative Bank House  
P.O Box 48231 – 00100  
Nairobi



### INTERNAL AUDITOR

PKF CONSULTING LTD  
Kalamu House, Grevillea Grove, Off  
Brookside Drive, Westlands  
PO Box 14077 – 00800, Nairobi  
Telephone: (+254 20) 4270000, (+254)732 144000)



## REPORT OF THE TRUSTEES

The Trustees present their report together with the audited financial statements for KenGen Defined Contribution (DC) Scheme 2012 (the "Scheme") for the year ended 31 December 2019.

### Establishment, nature and status of the scheme

The Scheme was established with effect from 1 January 2012 and is governed by a Trust Deed dated 1 January 2012.

The Scheme is a defined contribution scheme and provides retirement benefits for the staff of Kenya Electricity Generating Company Limited (KenGen PLC). It is an exempt approved Scheme under the Income Tax Act and is registered with the Retirement Benefits Authority. The scheme is governed by Trust Deed and Rules. Contributions to the Scheme by both the employer and employees are at the rate of 10% for the employees and 20% for the employer of the individual members' basic salaries.

### Membership


	2019	2018
<b>Contributing members</b>		
At start of year	1,848	1,806
Joiners	341	102
Reinstatement	3	-
*Adjustment	(37)	-
	<b>2,155</b>	<b>1,908</b>
Less:		
Retired with pension	(69)	(42)
Died in service	(5)	(7)
Other secessionists	(8)	(11)
<b>At end of year</b>	<b>2,073</b>	<b>1,848</b>
<b>Dormant members</b>		
At start of year	22	15
Joiners	5	12
	<b>27</b>	<b>27</b>
Less:		
Retired with pension	(2)	(3)
Other secessionists	(4)	(2)
<b>At end of year</b>	<b>21</b>	<b>22</b>
<b>Deferred members</b>		
At start of year	56	50
Joiners	-	8
	<b>56</b>	<b>58</b>
Less:		
Retired with pension	(1)	-
Died in service	-	-
Other secessionists	(1)	(2)
<b>At end of year</b>	<b>54</b>	<b>56</b>

The adjustment related to members who had become dormant/deferred but were included as contributing members.



## Financial Review

The statement of changes in net assets available for benefits on page 6 shows an increase in the net assets of the Scheme for the year of Shs 1,424,567,000 (2018: Shs 887,200,000) and statement of net assets available for benefit on page 6 shows the Scheme's net assets as Shs 6,479,860,000 (2018: Shs 5,055,293,000).

  
**1.424 B**  
*The increase in net assets  
from the previous year*

## Investment of funds

Under the terms of their appointment African Alliance Investment Bank Kenya Limited and Old Mutual Investment Group Limited are responsible for advising the Trustees on investment of the available funds.

The overall responsibility for investment and performance lies with the Trustees. The schemes investment managers are guided by an established investment policy. The make up of the investments as at the year end is summarised below.

	RBA Limit				
	2019	%	2018	%	%
Equities	1,179,723	18%	875,231	20%	70
Government Securities	4,398,661	68%	2,752,296	63%	70
Corporate Bonds	70,414	1%	108,891	2%	30
Fixed Deposits	625,558	10%	487,980	11%	15
Investment Property	152,251	2%	152,251	3%	30
	<b>6,426,607</b>		<b>4,376,649</b>		

We confirm that there is no self-investment, nor have any Scheme assets been used as security or collateral on behalf of the employer or any connected business or individual.





# **SCHEME GOVERNANCE**





## BOARD OF TRUSTEES



**Ernest Nadome**  
**Chairman**

He is the Chairman of the Board of Trustees for the KenGen Defined Contribution Scheme 2012 (DC Scheme). He holds a Master of Arts (MA) in Labour Management Relations, Bachelor of Arts (B.A) Degree (Hons). He holds a Master of Arts (MA) in Labour Management Relations, Bachelor of Arts (B.A) Degree (Hons). He is the General Secretary of the Kenya Electrical Trades & Allied Workers Union (KETAWU) a position he has held for the past 17yrs. He is well versed in energy, human resources and labour matters, having worked for The Kenya Power and Lighting Company Ltd and KenGen PLC for 17 years.



**Dr. Musa Arusei**  
**Trustee**

He was appointed to the Board of Trustees of KenGen Define Contribution (DC) Scheme 2012 in 2017 as a sponsor appointed trustee. He is the Chairman of Investment & Strategy Committee and a member of Administration and Communication Committee. He holds a Bachelor of Science (Geochemistry) from the University of Nairobi, Master of Science (Geothermal) from the University of Leeds, UK and a Doctor of Philosophy (Geochemistry) from Moi University. Dr. Arusei has also worked as a Geochemist at KenGen and in the Ministry of Energy. He is currently the Senior Lecturer, Department of Chemistry and Biochemistry at the University of Eldoret. Dr. Arusei supervises and marks thesis for doctorate and masters students. He has attended various local and international conferences on research and the geochemistry field. He has also published several research publications and reports on geochemistry and geothermal studies. He is currently a Non-Executive Director on the KenGen PLC Board.



**Rebecca Miano, MBS**  
**Trustee**

She was appointed to the Board of Trustees of KenGen Define Contribution (DC) Scheme 2012 in 2014 as a sponsor appointed trustee. She is a member of the Investment & Strategy Committee and Administration & Communication Committee. She holds a Bachelor of Laws (LLB) degree with Honours, a diploma in Law and Post-graduate studies in Comparative Law. In 2010. She is a Commissioner for Oaths (Since 2001), a Notary Public (since 2003) and a finalist for Chartered Arbitrator. She is a registered Certified Public Secretary of Kenya and is a member of the Institute of Certified Secretaries of Kenya (ICS) and the Law Society of Kenya (LSK). She was awarded the Company Secretary of the Year award in 2010 under the Champions of Governance (COG) Awards. She is currently the MD and CEO of KenGen PLC.



**Abraham Serem**  
**Trustee**

Mr. Abraham Serem is a seasoned human resource practitioner with vast experience both in Kenya and East Africa. He holds a Bachelor of Arts degree from the University of Nairobi. His other professional qualifications include: Higher National Diploma in Human Resource Management and a Diploma in Intermediate Executive Coaching from the Academy of Executive Coaching. He is a member of the Institute of Human Resource Management. Prior experience includes: Heineken East Africa Ltd where he held the position of HR Director, East Africa Breweries Ltd, Nampak East Africa and Reckitt Benckiser East Africa, where he held various senior managerial positions. He is currently the Human Resources & Administration Director with KenGen PLC. He was appointed to the Board of Trustees of KenGen Define Contribution (DC) Scheme 2012 in 2016 as a sponsor nominated trustee. He is the Chairman of Administration & Communication committee and a member of the Audit & Risk Management committee.



**Paul Ndungi**  
**Trustee**

He was appointed to the Board of Trustees of KenGen Define Contribution (DC) Scheme 2012 in 2019 as a Sponsor nominated Trustee. He is a member of Administration & Communication Committee and Audit & Risk Management Committee. He holds a Bachelor of Laws (LLB) degree with Honours from University of Nairobi and a Diploma in Law from the Kenya School of Law. He is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a registered Certified Secretary. He is currently pursuing a Master of Laws – Dual LL.M in U.S. Law and International Corporate Law at the Washington University – St. Louis School of Law. He joined KenGen PLC as the Company Secretary and Legal Affairs Director on July 25, 2018, prior to joining KenGen, Mr. Ndungi served as the Company Secretary and Senior Legal Counsel at Barclays Bank of Kenya Limited. He has previously served in various legal and governance capacities at Ecobank Kenya Limited, I&M bank Limited, First American Bank of Kenya Limited and M/s TripleOKLaw Advocates.



**Peter Mutemi**  
**Trustee**

He has an experience of 34 years in the energy sector having been employed by East African Power in 1982 then KPLC and thereafter KenGen PLC. He has been a union leader since 2003 where he has been the National Treasurer for KETAWU. He is also the Team leader in Negotiations & Central Joint Council. He has been a member elected Trustees of KenGen Defined Contribution (DC) Scheme 2012 since 2012. He is a member of Investment & Strategy Committee and Audit & Risk Management Committee. He is currently an Senior Lab Foreman II at KenGen PLC Olkaria Power Station and a Change Agent.



**Muli Maluki**  
**Trustee**

She has over 12 years experience in the Public Procurement Sector. She was appointed to the Board of Trustees of KenGen Define Contribution (DC) Scheme 2012 in September 2017 as a member representative Trustee. She is a member of the Investment & Strategy Committee and Audit & Risk Management Committee. She holds Bachelor of Science in International Business Administration and is a Member of the Chartered Institute of Procurement and Supply. She is currently the Chief Supply Chain Officer with KenGen PLC.



**Joan Chahenza**  
**Trustee**

She has experience in energy finance and economics. She was appointed to the Board of Trustees of the KenGen Defined Contribution (DC) Scheme 2012 in September 2017 as a member representative Trustee. She is the Chairperson of the Audit & Risk Management Committee and a member of the Investment & Strategy Committee. She holds a Masters of Science in Finance and a Bachelor of Arts Degree in Economics from the University of Nairobi. She is a Certified Public Private Partnership Foundation (CP3P), Certified Public Accountant (CPA K) and a member of International Association of Energy Economists (IAEE), Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She is currently the Chief Financial Analyst & Technical Assistant to the Regulatory & Corporate Affairs Director with KenGen PLC.



**Josphat Muriuki**  
**Trust Secretary**

He was appointed Chief Executive Officer and Trust Secretary in 2016. He holds a Master of Business Administration (MBA-Finance) and Bachelor's Degree in Applied Statistics (Actuarial Science). He is a Certified Investment and Financial Analyst (CIFA), a Certified Information and Security Auditor (CISA) and a Certified Pensions Trustee (CPT). He is a student at Jomo Kenyatta University of Agriculture and Technology pursuing PhD in Leadership & Governance. He has wide experience in Pensions, Finance, Accounting, Information Audit and Investments spanning over 10 years having previously worked as the Pensions Administration Manager with Liaison Group (LB) a leading Risk, Insurance, Pensions and Investments Consultancy in Eastern Africa. He is a member of Institute of Certified Investment and Financial Analysts of Kenya (ICIFA), The Chartered Institute for Securities & Investment (CISI) UK and Information Systems Audit & Control Association – Kenya (ISACA – K).



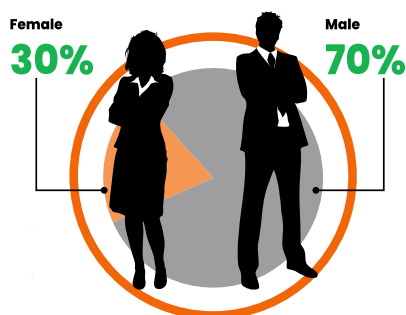


## 1. Trustees in Office

In 2019 financial year the following Trustees served in the Board of KenGen Defined Contribution (DC) Scheme 2012:

Name of Trustee	Age	Category (Member-elected/Sponsor-nominated/Professional)	Certified (Yes/No)	Profession
Mr. Ernest Nadome	53	Member Elected	Yes	Labour Relations, Management
Ms. Rebecca Miano	54	Sponsor Nominated	Yes	Legal, Governance & Management
Mr. Abraham Serem	55	Sponsor Nominated	Yes	HR & Admin
Mr. Paul Ndungi	44	Sponsor Nominated	Yes	Legal, & Governance
Dr. Musa Arusei	62	Sponsor Nominated	Yes	Geochemist, Geothermal Development, Management
Ms Joan Chahenza	35	Member Elected	Yes	Finance & Economics
Ms Muli Maluki	37	Member Elected	Yes	Procurement
Mr. Peter Mutemi	58	Member Elected	Yes	Scientist

### Board gender representation



## 2. Meetings

The Board of Trustees held the below meetings during the year ending 31st December 2019.

Board/Committee	No. of meetings held	Dates of the Meeting
Full Board	9	21 <sup>st</sup> Mar, 21 <sup>st</sup> May, 26 <sup>th</sup> Jul, 3 <sup>rd</sup> Sep, 24 <sup>th</sup> Sep, 27 <sup>th</sup> Sep, 22 <sup>nd</sup> Nov, 29 <sup>th</sup> Nov, 3 <sup>rd</sup> Dec
Investment & Strategy	8	26 <sup>th</sup> Feb, 28 <sup>th</sup> Feb, 26 <sup>th</sup> Apr, 10 <sup>th</sup> May, 17 <sup>th</sup> May, 27 <sup>th</sup> Aug, 8 <sup>th</sup> Nov, 13 <sup>th</sup> Nov
Audit & Risk Management	5	18 <sup>th</sup> Feb, 13 <sup>th</sup> Mar, , 14 <sup>th</sup> May, 16 <sup>th</sup> Aug, 12 <sup>th</sup> Nov
Administration & Communication	5	3 <sup>rd</sup> Mar, 16 <sup>th</sup> May, 24 <sup>th</sup> Jul, 15 <sup>th</sup> Aug, 30 <sup>th</sup> Oct

### 3. Fiduciary Responsibility Statement

The Board of Trustees is the governing body of the KenGen Defined Contribution (DC) Scheme 2012 and is responsible for the corporate governance of the scheme. The Trustees are responsible for ensuring that the administration of the scheme is conducted in the best interest of the scheme's members and the sponsor. To achieve this, the Trustees embraced their fiduciary responsibility by:

- Acting honestly and did not improperly use inside information or abuse their position;
- Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances; and
- Performing their duties with the requisite degree of skill.

The scheme has complied with the laws, regulations and guidelines that govern retirement benefits schemes and the scheme's business operations.



#### COMPLIED

The Trustees have ensured that the fund manager has carried out all scheme investments and that all scheme assets and funds are held by the custodian.



The Board charter for the scheme was developed and adopted.

### 4. Responsible Corporate Citizenship

The scheme has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates.



### 5. Key Outcomes

The Board of Trustees seeks to achieve the following:

- Building trust with the members and sponsor of the scheme so that they are satisfied with the administration of the scheme;
- Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- Ensuring that the scheme's administrative processes remain transparent and accessible to members and the sponsor.



During the financial year, the Board of Trustees sent out questionnaires to members requesting them to fill them and return together with the annual certificate of existence. By end of the financial year, analysis of the completed questionnaire was ongoing.

The Board of Trustees has also been sending quarterly reports to the sponsor detailing the activities that have taken place in each quarter.

## 6. Annual General Meeting

The Board of Trustees held the 2019 Annual General Meeting (AGM) at the Central Office on 26 July 2019 at which 438 members attended making up 21% of the scheme members.



## 7. Trustees Remuneration Policy

During the year under review, the Trustees expenses and capacity building was a gross sum of Kenya shillings Six million, fourty five thousand only Shs 6,045,000. The payment complied with the trustee remuneration policy of the scheme as approved by members at the Annual General Meeting held on the 27 July 2018 in Olkaria.

## 8. Auditors

Deloitte & Touche, were appointed as auditors during the year and having indicated their willingness and continue in office as auditors.

SIGNED ON BEHALF OF THE TRUSTEES

**For the Trustees**

**Ernest N Nadome**

**Chairman**

**26<sup>th</sup> March 2020**





**Our goal as a Scheme is  
to keep a sustained focus  
on long-term investment  
performance**

**Ernest Nadome – Chairman**

## CHAIRMAN STATEMENT

### Dear Members,

As Chairperson of the Board of Trustees, I am pleased to report to you on DC Scheme's significant work and development over this past year. While the Scheme's focus is firmly set on the long term, we are at times hit by short-term events impacting global markets and investors. Top of everyone's concern now is the COVID-19 pandemic which has yielded economic consequences from the unprecedented global suspension of activity across many sectors of commerce and education with the necessary imposition of social distancing. We cannot overemphasize our goal as a Scheme is to keep a sustained focus on long-term investment performance.

Our strong, principled culture, our member's purpose and best-in-class governance framework provide a constant –ensuring the Fund remains sustainable over the long term. I am pleased to report DC Scheme's results for the past fiscal year continue to demonstrate this, the Fund ending the year with KES 6.48 Billion in net assets.



# 6.48 B

Net assets value of  
the scheme as at  
December 31, 2019

### Operating Economic Environment

According to Kenya National Bureau of Statistics, 2019 GDP numbers showed growth slowed down to 5.6% compared to 6.4% growth in the previous year. This was due to suppressed performance in most sectors of the economy. Agriculture experienced a drop in production of key crops, and in the manufacturing sector there were low activities in manufacturing food & non-food products. The financial services sector however grew driven by increased money supply from growing deposits.

The Kenya Revenue Authority (KRA) collected Ksh 87 billion for the first half of the 2019/2020

financial year which is 20% below the target of Ksh 1.09 trillion. Headline inflation closed the year at 5.82% compared to 5.71% in December 2018, mainly attributable to increased pressure from food prices and pump prices.

On an annual perspective, all the treasury bills rates declined following CBK's sustained easing of government's monetary policies through the year. The only pick up on the rates was witnessed in the last two months of the year which the driving factor appears to be the repeal of interest rate caps that point to a possible shift in demand from government paper towards private sector lending. Average yields on the 91-day, 182-day & 364-day decreased by 11.49%, 17.84% & 9.26% to close at 6.87%, 7.82% & 9.48% respectively as the end of year 2019. The treasury yields declined in the first half of the year which picked up in the second half of year erasing most of gains from the downward shift of the curve seen earlier in the year.

Headline inflation closed the year at 5.82% compared to 5.71% in December 2018, largely supported by increase in non-core inflation. Depressed agricultural production resulted in food inflation edging upwards by 10.05% in 2019.

The Kenya Shilling strengthened by 0.5% against the US Dollar in 2019. The strengthening was mainly supported by strong forex reserves and due to increased diaspora remittances in the year.



# 0.5%

Percentage by which the Kenya  
Shilling strengthened against  
the US Dollar

In 2019, only the NSE-20 recorded negative performance of -6.3% while the NASI and NSE-25 gained 18.5% and 15.5%, respectively. This was largely attributed to the interest rate cap repeal in October in which large cap bank stock prices trended higher. However, equity turnover during the year declined compared to 2018.

## Long-Term Investment Strategy

Since inception in 2012, DC Scheme has steadily evolved its investment strategy; the growth of our investment activities to include new strategies, geographies and structures which enabled us to move from a preserve of only venturing in traditional instruments but also making alternative investments. The Board endorsed a carefully considered strategic direction acknowledging the importance of leveraging our comparative advantages, the scale of our active investment programs across asset classes and geographies and the need to leverage the power of technology to position the Scheme's management to better drive strategic decisions and operational excellence.

## DC Scheme Business Activities

As the Scheme embarked on the 2019 - 2028 strategic direction, the Board is also focused on encouraging members to make additional voluntary contributions. The additional contributions mean the Scheme will grow larger and faster which provides more opportunities with a larger investment Fund to manage. On the hindsight, it increases individual savings at retirement. The Board wishes to encourage all members to take full advantage of the Scheme and increase their level of contributions.

As Board members, we continually benchmark ourselves to ensure we are doing all we can for the benefit of the Fund, to position the Board to be agile and proactive. This ensures our ability to provide effective governance and oversight through periods of rapidly emerging change and complexity. A key component of good governance is ensuring the organization pays proper heed to new and emerging risks. Recognizing this, the Board engaged an Internal Auditor to regularly review the Scheme's business activities including providing regular updates about Scheme trends.

The Audit & Risk Committee is also working with Management to apply both learning and foresight to the continued evolution of the Scheme's risk governance framework. During the year, the Board reviewed several enhancements put in place by Management to better position the organization for future

growth of the Fund.

The Board remains accountable through a multitude of activities, including our robust and timely disclosure of financial reports. In addition, we host biennial meetings at which members communicate and can ask questions on a broad array of interests.

## Continued Renewal of the Board

Over the past years, we have seen significant renewal in the composition of our Board, with a broad emphasis on the strength, quality and results of the Board appointment process. We are proactively seeking to extend the Board's capabilities in providing strong oversight appropriate to its mandate, the Fund size trajectory, broader investment risks, and complexity and alternative opportunities. In the last year, there were no board membership changes.

## Appreciation

In closing, I thank the Sponsor, KenGen for the unwavering support through the regular remittance of contributions and for offering expertise on the Board; I thank all our Trustees for their fine, committed service; and as a Board, we applaud and celebrate the extraordinary efforts of all Pension Secretariat Staff. In addition, we extend our special gratitude to all our investment managers for their skilled and tireless contributions towards the realization of a base income on which you, our members and beneficiaries, will depend for your retirement and not forgetting all other service providers, and lastly but not least our regulator, RBA, who all contribute immensely to the growth of the Scheme. We appreciate you all for the great work.



**Ernest Nadome**

**Chairman – KenGen DC Scheme**





”

**We remain confident in  
the long-term trends that  
reinforce our views and  
strategy**

**Josphat Muriuki - CEO & Trust Secretary**

## TRUST SECRETARY REPORT

### Dear Members,

Q1 2020 marked the arrival of COVID-19 global pandemic which has disrupted both working and personal lives of billions of people locally and around the world. The past months have tested our health, economic and social systems in ways we could not have imagined. Financial markets reacted forcefully to the expected impacts of widespread economic shutdowns aimed at containing the spread of the virus. Amid these challenging and uncertain times, let me give today's retirees and for decades to come, the assurance that the resilience of the Scheme gives us confidence.

It is critical to me, as CEO, that members have conviction that we will safeguard and grow the money that they and the Sponsor, KenGen, contribute each month. Today, the Scheme has full advantage of the expertise, investment systems and risk management. While we look forward to continued growth, our guiding mandate since the beginning is to achieve a maximum rate of return, without undue risk of loss.

### Long-term strategy and trends

Our next 10 years will require us to expand our skills and embrace new technologies. We will also need an innovative spirit that will continue pushing us towards fresh ideas. As I think about the next phase of growth, the principles that have defined our high-performance culture – integrity, innovation & customer-focus – will guide us forward.

Our next 10 years will require us to expand our skills and embrace new technologies. We will also need an innovative spirit that will continue pushing us towards fresh ideas. As I think about the next phase of growth, the principles that have defined our high-performance culture – integrity, innovation & customer-focus – will guide us forward.

We continue to execute our 2028 strategy, approved by our Board early in 2019. We remain confident in the long-term trends that reinforce our views and strategy. To meet our goals, investment & property teams continue to anticipate the trends

we believe will reshape the financial and real estate markets locally and globally in the long term. Culture continues to be a strong focus. To meet our 2028 goals, we must be able to foster a culture that is innovative, ambitious and agile. The COVID-19 pandemic points to the importance of being able to develop rich insights and adapt quickly. To help us stay on course through periods of change, we have our decision-making guidelines which provide current and future beneficiaries with additional transparency as to our decision-making processes in carrying out our long-term investment strategies.

### Resilience and focus

While the COVID-19 pandemic was something few of us could have predicted, the likelihood of a global event leading to turmoil in financial markets is something we could foresee and prepare for. And we have. As a Scheme with an exceptionally long investment horizon, we must be prepared to navigate all market conditions.

Our aim is thus not to quickly acquire new assets or disposing of existing ones. Instead, we must assess, understand, and proceed using good judgment. For long-term investors, extreme market volatility requires to stay the course to insulate us from actions that could work against us in investing. It is our job to tame these impulses. We are taking the time now to identify the changes that will be both enduring and progressive. We are balancing our search for new opportunities with our long-term strategy while maintaining conservative levels of liquidity. Our long-horizon approach to building a highly diversified, resilient portfolio will continue to be our guide through what is to come.

### Towards greater Member experiences

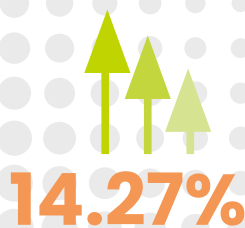
We have a great responsibility to demonstrate that you can count on us – especially during the tough times. Beyond this annual report and biennial members awareness meetings, we have rolled out a bi-annual newsletter as an

important aspect of our accountability. As the world at large navigate challenging circumstances in the months to come, we are committed to providing timely and transparent information about the Scheme, well beyond what is required of us by legislation. As members remain focused on their health and well-being, we remain focused on safeguarding the financial health of the Scheme.

## Investment landscape & Our financial performance

In pursuit of our long-term strategy, we continue with diversification of the fund by asset class and by strategy. We adhere to disciplined rebalancing of the Fund to maintain the long-term portfolio construction we target. Safety and soundness come first – neither the severity and duration of the present economic turmoil, nor the extent of its lingering or permanent aftermath can be easily predicted. We will continue to stress test our portfolio as we always do, looking at investment outcomes under a variety of extreme scenarios so we can be confident the Fund will remain resilient as it continues to grow. As we have seen in past crises, unexpected outcomes can emerge as people and communities respond, adjusting behaviours and innovating solutions in ways that leave lasting positive impact. Even in this time of physical distancing, our in-house investment team and external investment & property managers continue to work creatively to find, assess and execute on new alternative investment opportunities.

In year 2019, the Fund grew to KES 6.48 billion, comprising KES 805 million in net income and KES 707 million in net contributions received. This represents a net annual return of 14.27%, after all costs.



Net annual return for the year  
after all costs.

## Our thanks

Today, I watch with enormous respect and admiration medical professionals locally and around the world – who are in many circumstances risking their own health and lives to care for all of us through their work each day. It is a moment to say we are sincerely grateful. And the lessons we draw is that the one constant is the quality of people.

Our people in the Scheme are all driven by the knowledge that they are helping to lay the groundwork for the Scheme members' retirement security. Thank you, all my colleagues at the Pension Secretariat and to all our professional service providers, for your dedication and commitment to excellence – particularly during the times this new year 2020 has really tested the strength of the Scheme as an organization and investor. We also appreciate our Board of Trustees for their guidance and leadership. Finally, thanks to you, our current and future beneficiaries, for putting your trust in us to forge ahead and help protect the DB Scheme for generations.

**Josphat Muriuki**  
**CEO & Trust Secretary**



## TRUSTEE CAPACITY BUILDING

NAME OF TRUSTEE	TRAINING/CONFERENCE ATTENDED
Mr. Ernest Nadome	Corporate Responsibility and Governance Accounting and Financial Analysis
Mr. Abraham Serem	Zamara Annual Retirement Conference, Pension Scheme Governance and Regulation
Mr. Paul Ndungi	Trustee Development Program Kenya, AVCAC, Improving Organizational Performance through Sustainable Leadership
Dr. Musa Arusei	Post Retirement Medical Scheme and Good Governance, AVCAC, The Pensions Governance and Regulations
Ms. Joan Chahenza	The Pensions Governance and Regulations, Corporate Governance, OMIG Alternative Investment
Ms. Muli Maluki	The Pensions Governance and Regulations, AVCAC, Corporate Governance, OMIG Alternative Investment
Mr. Peter Mutemi	The Leadership and Risk Management Program for Board, Old Mutual Investment Conference

## SUMMARY OF COMPLIANCE STATUS OF THE SCHEME

Department	No. of Items	Compliant	Non-Compliant	% Compliance
Corporate Level	15	15	0	100%
Pension Administration	16	14	2	87.5%
Finance	9	9	0	100%
Investments	6	5	1	83.3%
Property	11	11	0	100%
<b>Total</b>	<b>57</b>	<b>54</b>	<b>3</b>	
<b>Overall Scheme Compliance Status</b>	<b>94.7%</b>			

The Scheme is compliant on most statutory requirements and best industry standards excluding the setup of an Income Drawdown (IDD), setup of a post-retirement medical cover and government securities at 69% have burst the Investment Policy Statement (IPS) limit, which are all being addressed by the Board of Trustees.



# COMPLIED



**MANAGEMENT**





## THE SECRETARIAT

**Billy Olick**

Assistant Procurement  
Officer

**Peter Miano**

ICT Officer

**Francis Maina**

Property Maintenance  
Technician

**Rashid Kanyua**

Assistant Finance  
Officer



**Jane Namnyak**

Office Assistant

**Purity Kamau**

Pensions Officer

**Josphat Muriuki**

CEO & Trust  
Secretary

**Albert Moturi**

Assistant Pension  
Officer

**Anthony Mang'eli**

Property Officer



**Gloria Kikete**  
Finance Officer

**Hannah Nguhi**  
Investment Officer

**Maryanne Muthuuri**  
Administrative  
Assistant



## MANAGEMENT



**Josphat Muriuki – CEO & Trust Secretary**

He was appointed Chief Executive Officer and Trust Secretary in 2016. He holds a Master of Business Administration (MBA-Finance) and Bachelor's Degree in Applied Statistics (Actuarial Science). He is a Certified Investment and Financial Analyst (CIFA), a Certified Information and Security Auditor (CISA) and a Certified Pensions Trustee (CPT). He is a student at Jomo Kenyatta University of Agriculture and Technology pursuing PhD in Leadership & Governance. He has wide experience in Pensions, Finance, Accounting and Investments spanning over 10 years having previously worked as the Pensions Administration Manager with Liaison Group (LB) Ltd a leading Risk, Insurance, Pensions and Investments Consultancy in Eastern Africa. He is a member of Institute of Certified Investment and Financial Analysts of Kenya (ICIFA) and Information Systems Audit & Control Association – Kenya (ISACA – K). He is a member of Institute of Certified Investment and Financial Analysts of Kenya (ICIFA), The Chartered Institute for Securities & Investment (CISI) UK and Information Systems Audit & Control Association – Kenya (ISACA – K).



**Purity Kamau – Pensions Officer**

She joined the scheme in 2009 as a Pension Officer, in charge of Pension Administration. She has over 22 years of experience in Human Resource and Pensions Administration. She holds a Bachelor's Degree in Business Administration, Diploma and Advanced Diploma in Business Administration with the Association of Business Executive (ABE) UK, Certificate of Proficiency in Insurance (COP), Insurance Fundamentals and Life & Pension Business. She is a Certified Pension Analyst Manager (CPAM) by Global Academy of Finance Management. She is a member of the Association of Business Executives and Global Academy of Finance Management. Before joining the scheme, she worked in the Human Resources departments of KenGen, Kenya Power and Daystar University.



**Hannah Nguhi – Investment Officer**

Ms. Hannah Nguhi is a versatile investment professional with over 14 years' experience in the pension industry cutting across investment management (equities, fixed income & offshore products), corporate financing & pension administration. She joined KenGen Staff Retirement Benefits Scheme in April 2013 as the Investment Officer. Hannah holds a Master's degree in Business Administration (Finance) from the University of Nairobi, a Bachelor of Science in Actuarial Science from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is currently pursuing the Certified Investment and Financial Analyst (CIFA) qualification. She is an associate member of Kenya Institute of Management. Prior to joining KenGen SRBS, Hannah served as a Portfolio Manager at Dry Associates Ltd. She has also served as a Pensions Administrator at Zamara Financial Services (formerly Alexander Forbes).



**Peter Miano – ICT Officer**

Peter Miano joined KenGen Staff Retirement Benefits Scheme in January 2014 as an ICT Officer in charge of ICT. He has over 10 Years' experience in the Information and Communication Technology sector. He holds a Masters of Business Administration (MBA) Strategic Option and a Bachelor of Science Degree in Information Technology with honours both from JKUAT. He also holds a Diploma in Information Technology. He is a fellow member of both the Information Communication Association of Kenya (ICTAK) and Computer Society of Kenya. He is a Cisco Certified Network Associate and PRINCE2 Certified. He has other professional training in Axis Fundamentals and IT Corporate Governance. Prior to his employment, he has also worked with several other reputable firms that is Postal Corporation of Kenya, Kenya National Bureau of Statistics, Kenya Shell and executed projects with HP and UNEP.



**Gloria Kikete – Finance Officer**

She joined KenGen Staff Retirement Scheme in November 2014 as Finance Officer in charge of Finance. She has over 9 years' experience in Finance, Accounting, Risk Management, Taxation and Audits. She has a Master of Science in Finance and a Bachelor of Commerce, Finance Option; both from the University of Nairobi. She is also a Certified Public Accountant of Kenya (CPA K) and a CPS Graduate. She is currently pursuing an Advanced Diploma in International Taxation (ADIT) by the Chartered Institute of Taxation, UK. She is a member of ICPAK, AWAK and an associate member of KIM. Prior to her appointment at KenGen Staff Retirement Scheme, she worked at CPF Financial Services (Laptrust) and Octagon Africa.



**Anthony Mang'eli – Property Officer**

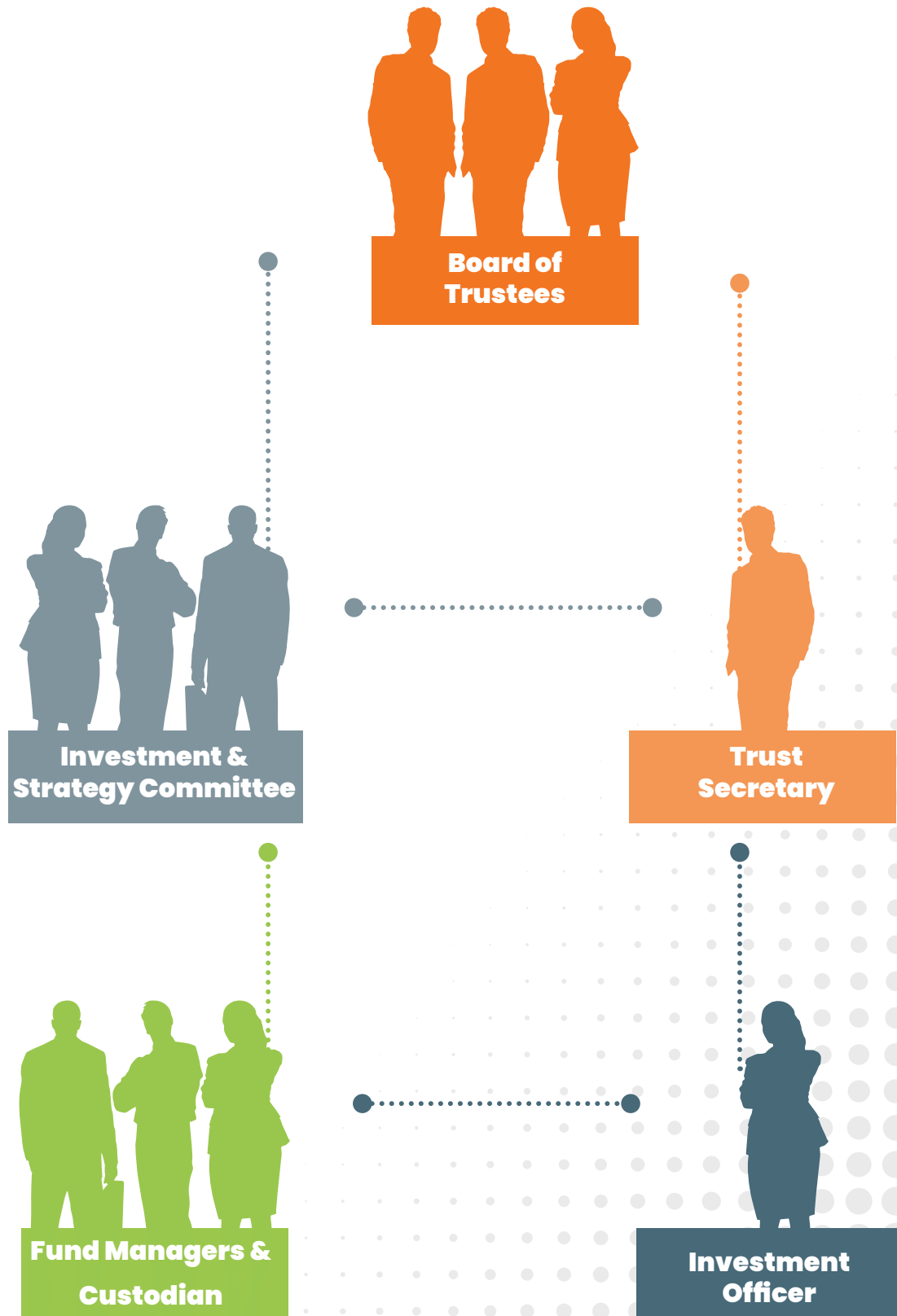
Anthony Mang'eli joined KenGen Staff Retirement Benefits Scheme in November 2016 as Property Officer in charge of Property Management. He has over 11 years experience in the real estate industry cutting across valuation, property management, investment appraisal, and feasibility studies. He holds a Master's degree in Valuation & Property Management and a B.A. Land Economics, both from The University of Nairobi. He is a Full Member of the Institution of Surveyors of Kenya (VEMS Chapter) and a Registered and Practicing Valuer. Prior to his appointment at KenGen Pension Scheme, Anthony headed the Property Department at Actuarial Services (E.A) having come from Prestige Management Valuers Ltd as a Senior Valuer and Property Manager.



## GOVERNANCE STATEMENT

Governance is increasingly of significant importance to pension funds. The Trustees have adopted high level of corporate governance in management of the Scheme.

### Investment Governance Structure





**SUSTAINABILITY**



## ECONOMIC

The lifeline of the Scheme depends on the financial status and the ability to pay its obligations to members and other stakeholders.

The Scheme ensures the economic sustainability by:

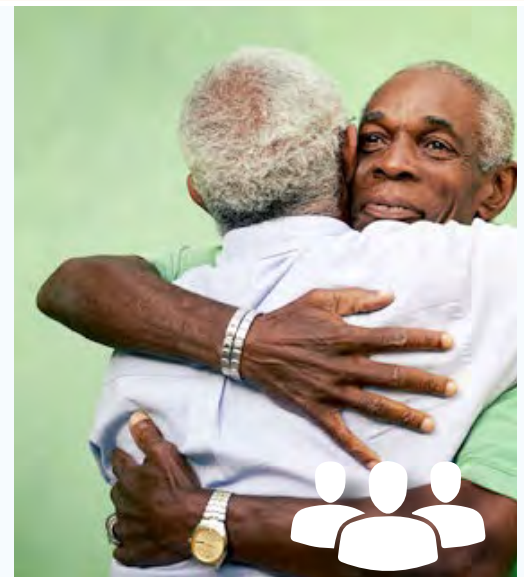
- Diversifying investments to ensure that risk is spread, and the different asset classes ensure fair returns throughout.
- Close monitoring of the funding level to ensure that any deficit is corrected on time.
- Holding assets that can easily be converted to cash to fund liquidity requirements.
- Maintaining close contact with the Sponsor to get retirement notices in good time so as to plan for cashflows.
- Signing performance contracts with the Fund Managers to encourage good returns from the financial investments.
- Managing Scheme costs at the minimum so as to obtain high net returns on investments.



## SOCIAL

Our social environment includes our human stakeholders who we need to be alive and well. The scheme has put in place the below measures to ensure that our members, pensioners and beneficiaries are well:

- Inclusion of a lifestyle training in our member education awareness programs to ensure members live healthy lifestyles.
- Partnering with medical insurance providers in an arrangement where we have negotiated favorable group rates to afford the pensioners and their beneficiaries' medical insurance even after leaving KenGen.
- Running a 'Widows and Orphans' account where deceased members with young families can have their benefits locked in an account with periodic withdrawals, which helps the beneficiaries to draw the funds in a systematic manner, so that funds are not depleted quickly.
- The pensioners ambassadors program ensures that the pensioners, as well as their beneficiaries are reached on a timely manner in case of any issue. This helps the Scheme in locating the beneficiaries who sometimes may not have office contacts to have their matters resolved quickly.



## ENVIRONMENTAL

The Scheme ensures that the environment in which it operates is preserved by engaging in partnerships with organizations that conserve the environment as part of their core business. To this end the Scheme has partnered with the KenGen Foundation in a clean-up activity.







**FINANCIALS**



## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Scheme at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Scheme keeps proper accounting records that are sufficient to show and explain the transactions of the Scheme; disclose with reasonable accuracy at any time the financial position of the Scheme; and that enables them to prepare financial statements of the Scheme that comply with prescribed financial reporting standards and the requirements of the Retirement Benefits Act. They are also responsible for safeguarding the assets of the Scheme.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Retirement Benefits Act. They also accept responsibility for:

1. Designing, implementing and maintaining internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
2. Selecting suitable accounting policies and then apply them consistently; and Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Scheme's ability to continue as a going concern, the Trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to continue as a going concern.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Trustees on..... **26<sup>th</sup> March 2020** 2020 and signed on its behalf by:



**Ernest N Nadome**  
Chairman



**Josphat Muriuki**  
Trust Secretary

## INDEPENDENT AUDITORS' REPORT

### Opinion

We have audited the accompanying financial statements of KenGen Defined Contribution (DC) Scheme 2012 (the "Scheme") set out on pages 10 to 27 which comprise the statement of net assets available for benefits at 31 December 2019 and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes

In our opinion, the accompanying financial statements give a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2019 and of the disposition at that date of its assets and liabilities, other than liabilities to pay retirement and other benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Trustees are responsible for the other information. The other information comprises the Report of the Trustees, which we obtained prior to the date of this auditors report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Trustees for the financial statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern 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 Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

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.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Certified Public Accountants (Kenya)**

**Nairobi**

**26<sup>th</sup> March 2020**

**CPA Fred Aloo, P/No 1537**

**Signing partner responsible for the independent audit**

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2019

		2019	2018
	Notes	Shs'000	Shs'000
<b>CONTRIBUTIONS AND WITHDRAWALS</b>			
Contributions received	1	1,019,930	929,602
Benefits payable		(312,742)	(138,817)
		-----	-----
<b>Net surplus from dealings with members</b>		<b>707,188</b>	<b>790,785</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	2	524,768	370,665
Change in fair value of property investments	3(a)	-	(32,130)
Change in fair value of other investments		297,140	(111,727)
Less: Investment management expenses	5	(16,718)	(11,723)
		-----	-----
<b>Net returns on investments</b>		<b>805,190</b>	<b>215,085</b>
		-----	-----
Administrative expenses	6	(48,889)	(50,433)
Property expenses		-	(30,995)
Income tax expense	10	(38,922)	(37,242)
		-----	-----
<b>INCREASE IN NET ASSETS FOR THE YEAR</b>		<b>1,424,567</b>	<b>887,200</b>
		-----	-----
<b>NET ASSETS AVAILABLE FOR BENEFITS AT START OF YEAR</b>		<b>5,055,293</b>	<b>4,168,093</b>
		-----	-----
<b>NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR</b>		<b>6,479,860</b>	<b>5,055,293</b>

# STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2019

		2019	2018
	Notes	Shs'000	Shs'000
<b>ASSETS</b>			
Investment property	3(a)	152,251	152,251
Equity Investments	4(a)	1,179,723	875,231
Government securities – Treasury bonds	4(b)	4,384,074	2,544,718
Government securities – Treasury bills	4(c)	14,587	207,578
Corporate bonds	4(d)	70,414	108,891
Short term deposits	4(e)	625,558	487,980
Other receivables and accrued income	7	87,669	74,049
Cash and bank balances		11,619	651,158
<b>Total assets</b>		<b>6,525,895</b>	<b>5,101,856</b>
<b>LESS: LIABILITIES</b>			
Other payables and accrued expenses	8	33,472	38,115
Current Income Tax payable	10(c)	12,563	8,448
<b>Total liabilities</b>		<b>46,035</b>	<b>46,563</b>
<b>Net assets available for benefits</b>		<b>6,479,860</b>	<b>5,055,293</b>
REPRESENTED BY			
<b>FUND BALANCE</b>		<b>6,479,860</b>	<b>5,055,293</b>



**Ernest N Nadome**  
**Chairman**

26<sup>th</sup> March 2020



**Josphat Muriuki**  
**Trust Secretary**



# STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

		2019	2018
	Notes	Shs'000	Shs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributions received		1,005,882	917,734
Benefits paid		(312,742)	(138,817)
Administrative expenses paid		(45,774)	(80,979)
Movement in balances due to KenGen Retirement Benefits Scheme		(7,747)	11,608
Income tax paid	10(c)	(34,807)	(19,138)
<b>Net cash from operating activities</b>		<b>604,812</b>	<b>690,408</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income received		522,990	370,238
Investment management expenses paid		(16,727)	(8,652)
Purchase of quoted equities	4(a)	(138,470)	(237,887)
Proceeds from sale of Equities		98,697	113,585
Purchase of treasury bonds	4(b)	(3,103,531)	(1,180,866)
Proceeds from sale of treasury bonds	4(b)	1,305,009	437,770
Purchase of treasury bills	4(c)	(28,168)	(203,355)
Proceeds from sale of treasury bills	4(c)	217,080	177,456
Purchase of corporate bonds	4(d)	-	(7,810)
Proceeds from sale of corporate bonds	4(d)	36,347	38,413
Disposal Proceeds from the Sale of investment property		-	663,534
<b>Net cash (used in) /generated from investing activities</b>		<b>(1,106,773)</b>	<b>162,426</b>
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(501,961)	852,834
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
At start of year	9	1,139,138	286,304
(Decrease)/increase		(501,961)	852,834
<b>At end of year</b>	<b>9</b>	<b>637,177</b>	<b>1,139,138</b>

## NOTES TO THE FINANCIAL STATEMENTS

<b>1 Contributions Receivable</b>	<b>2019</b>	<b>2018</b>
	<b>Shs'000</b>	<b>Shs'000</b>
From employer	683,353	622,833
From members	336,577	306,769
	-----	-----
	<b>1,019,930</b>	<b>929,602</b>

<b>2 Investment Income</b>		
Dividends receivable		
- quoted shares	63,629	43,765
Interest and discounts receivable		
- Kenya Government securities	391,961	278,003
- Commercial papers and corporate bonds	13,163	18,631
Treasury Bills	20,920	12,544
Fixed and term deposits	48,768	13,118
Other income	660	5
Loss on disposal of corporate bonds	(180)	-
Loss on disposal of shares (note 7 (a))	(12,404)	(3,878)
(Loss)/gain on disposal of bonds	(1,749)	8,477
	-----	-----
	<b>524,768</b>	<b>370,665</b>

<b>3 Investment Property</b>		
Investment property at fair value		
At start of year	152,251	847,915
Disposal of land	-	(697,915)
Fair value losses	-	2,251
	-----	-----
<b>At end of year</b>	<b>152,251</b>	<b>152,251</b>

### a) Changes in the fair value of investment property

The fair value (losses)/gains disclosed in the statement of changes in net assets available for benefits comprise the below:

Loss on disposal of investment property	-	(34,381)
Fair value gains	-	2,251
	-----	-----
<b>Change in the fair value of investment property</b>	<b>-</b>	<b>(32,130)</b>

The Scheme's investment properties were revalued at 31 December 2018 by Prestige Management Valuers Limited independent professionally qualified valuers. Valuations were based on current prices in an active market.

As at 31 December 2019, Prestige Management valuers did a desktop review and concluded the fair value of the investment property has not changed significantly since its last valuation carried out as at 31 December 2018.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2019				
Investment property	-	152,251	-	152,251
	=====	=====	=====	=====
At 31 December 2018				
Investment property	-	152,251	-	152,251
	=====	=====	=====	=====

## Valuation techniques used to derive level 2 fair values

Level 2 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

## 4 Other Investments

### a) Equity Investments Old Mutual

Number of shares	Additions	Disposal	Bonus/ Share split	Number of shares	Description	Market value at	Additions- Cost	Disposal Cost	Gain/ (Loss) on Disposal	Market gain/ (loss)	Market value at
						31-Dec-2018					31-Dec-19
31-Dec-18				31-Dec-19		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
31,400	-	-	-	31,400	ARM Cement Plc	-	-	-	-	-	-
26,900	72,000	-	-	98,900	Bamburi Cement Ltd	3,564	8,544	-	-	(4,196)	7,912
187,200	900,000	-	120,600	1,207,800	Barclays Bank of Kenya Ltd	3,370	11,388	-	-	1,366	16,124
400,000	-	650,000	250,000	-	Kenya Oil Company Ltd	12,383	-	(14,950)	5,744	(3,177)	-
15,200	5,400	-	-	20,600	British American Tobacco Kenya Plc	11,020	2,976	-	-	(3,696)	10,300
2,379,020	350,000	-	-	2,729,020	The Co-operative Bank of Kenya Ltd	34,020	5,207	-	-	5,392	44,619
11,440	70,000	-	-	81,440	Diamond Trust Bank Kenya Ltd	1,790	9,272	-	-	(2,185)	8,877
140,100	83,200	-	-	223,300	East African Breweries Ltd	24,482	17,137	-	-	2,706	44,325
1,621,800	50,000	-	-	1,671,800	Equity Group Holdings Plc	56,520	2,073	-	-	30,849	89,441
7,400	-	-	-	7,400	Centum Investment Co Plc	216	-	-	-	2	218
1,569,500	200,000	-	-	1,769,500	KCB Group Plc	58,778	8,261	-	-	28,515	95,553
13,709	21,900	-	-	35,609	Jubilee Holdings Ltd	5,549	8,776	-	-	(1,826)	12,499
23,000	-	23,000	-	-	Nation Media Group Plc	1,576	-	(866)	(5,312)	4,602	-
50,000	-	50,000	-	-	NSE Shares	688	-	(495)	(517)	324	-
110,220	50,000	-	-	160,220	NCBA Bank Ltd	3,064	1,719	-	-	1,121	5,904
8,341,700	2,000,000	-	-	10,341,700	Safaricom Plc	185,186	53,370	-	-	87,208	325,764
104,500	-	-	-	104,500	Umeme C. Ltd KES	846	-	-	-	19	865
231,600	-	-	-	231,600	Kenya Power & Lighting Co Ltd	943	-	-	-	(292)	651
35,555	-	-	-	35,555	Standard Chartered Bank Kenya Ltd	6,915	-	-	-	284	7,200
15,300,244	3,802,500	723,000	370,600	18,750,344	Sub Total	410,910	128,723	(16,311)	(85)	147,016	670,252



## African Alliance

Number of shares	Additions	Bonus/		Number of shares	Description	Market value at	Additions- Cost	Disposal Cost	Gain/ (Loss)	Market gain/ (loss)	Market value at
		Disposal	Share split			31-Dec-18			on Disposal	31-Dec-19	
31-Dec-18				31-Dec-19		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
213,600	-	-	-	213,600	ARM Cement Plc	-	-	-	-	-	-
11	-	11	-	-	Barclays Bank of Kenya Ltd	-	-	-	-	-	-
25,710	-	-	-	25,710	British American Tobacco Kenya Plc	14,912	-	-	-	(2,057)	12,855
635,000	-	635,000	-	-	Britam Holdings Plc	6,858	-	(6,105)	(10,763)	10,010	-
263,120	-	-	-	263,120	HF Group Plc	1,526	-	-	-	174	1,700
3,077,480	-	525,000	-	2,552,480	The Co-operative Bank of Kenya Ltd	46,624	-	(7,717)	(320)	3,146	41,733
23,952	-	-	-	23,952	Diamond Trust Bank Kenya Ltd	4,168	-	-	-	(1,557)	2,611
2,366,800	-	165,000	-	2,201,800	Equity Group Holdings Plc	94,672	-	(8,534)	1,252	30,406	117,796
141,500	50,000	-	-	191,500	East African Breweries Ltd	26,178	9,747	-	-	2,088	38,013
2,660,356	-	490,000	-	2,170,356	KCB Group Plc	106,414	-	(22,347)	658	32,474	117,199
128,953	-	-	-	128,953	NCBA Group Plc	3,159	-	-	-	1,593	4,752
510,000	-	-	-	510,000	Crystal Telecom	3,139	-	-	-	677	3,816
308,000	-	-	-	308,000	KenGen Co. Plc	2,064	-	-	-	(302)	1,762
46	-	46	-	-	CIC Insurance Group Ltd	-	-	-	-	-	-
443,000	-	-	-	443,000	Umeme Ltd Ord UGS	4,086	-	-	-	(1,232)	2,854
335,482	-	-	-	335,482	Umeme Ltd Ord KES	2,885	-	-	-	(107)	2,778
38,700	-	38,700	-	-	Nation Media Group Plc	2,670	-	(2,490)	(8,526)	8,346	-
5,828,219	-	698,000	-	5,130,219	Safaricom Plc	142,791	-	(21,073)	8,988	30,895	161,602
345,000	-	345,000	-	-	Kenya Power & Lighting Co Ltd	2,175	-	(1,719)	(3,608)	3,152	-
17,344,929	50,000	2,896,757	-	14,498,172	Sub Total	464,321	9,747	(69,985)	(12,319)	117,706	509,471
32,645,173	3,852,500	3,619,757	370,600	33,248,516	Sub Total	875,231	138,470	(86,296)	(12,404)	264,722	1,179,723

### Notes:

Market values for quoted equity investments are determined by reference to Nairobi Securities Exchange and Uganda Securities Exchange prices prevailing at the end of each reporting date.

### b) Treasury Bonds at Fair Value through Profit or Loss

	2019	2018
	Shs '000	Shs '000
At the beginning of the period	2,544,718	1,766,918
Additions at face value	3,103,531	1,180,866
Disposal at face value	(1,305,009)	(437,770)
Change in fair value	40,834	34,704
<b>At the end of the reporting period</b>	<b>4,384,074</b>	<b>2,544,718</b>
Maturing as follows		
Between 1-3 years	42,134	114,935
After 3 years	4,341,940	2,429,783
	<b>4,384,074</b>	<b>2,544,718</b>

The weighted average interest rate as at 31 December 2019 was 12.27 % (2018: 12.28 %)

**c) Treasury Bills at Fair Value through Profit or Loss**

	2019	2018
	Shs '000	Shs '000
At the beginning of the reporting period	207,578	181,943
Additions at face value	28,168	203,355
Disposals	(217,080)	(177,456)
Change in fair value	(4,079)	(264)
	-----	-----
At the end of the reporting period	14,587	207,578
Maturing as follows:		
Within 1 year	14,587	207,578

The weighted average interest rate as at 31 December 2019 was 9.32 % (2018: 9.64 %).d)  
Corporate Bonds at Fair Value through Profit or Loss

			2019	2018
	Maturity Date	Interest Rate	Shs '000	Shs '000
Centum Fixed Rate Bond	08-06-2020	12.5%	3,005	3,004
CBA Fixed Rate Bond	14-12-2020	12.8%	1,005	1,025
CFC Fixed Rate Bond	08-12-2021	13%	605	619
EABL Medium Term Note	19-03-2020	13%	9,962	10,131
Centum Bond	08-06-2020	13%	32,458	32,446
CBA Bond	14-12-2020	12.8%	5,028	5,124
CFC Bond	08-12-2021	13%	4,031	4,127
EABL Medium Term Note	19-03-2020	13%	14,320	14,563
KenGen PIBO	31-10-2019	12.5%	-	4,828
CIC BOND	02-10-2019	13%	-	33,024
			-----	-----
			<b>70,414</b>	<b>108,891</b>

Movements in corporate bonds is analysed as follows:

At the beginning of the reporting period	108,891	155,175
Additions	-	7,810
Disposals	(36,347)	(38,413)
Fair value loss	(2,130)	(15,681)
	-----	-----
<b>At the end of the reporting period</b>	<b>70,414</b>	<b>108,891</b>
	=====	=====
Maturing as follows		
Between 1-3 years	70,414	108,272
After 3 years	-	619
	-----	-----
	<b>70,414</b>	<b>108,891</b>

The weighted average interest rate as at 31 December 2019 was 12.85 % (2018: 12.74 %).e)  
Short Term Deposits

	Average Interest		2019	2018
	Rate	Maturity	Shs'000	Shs'000
BBK DEPOSIT	7.25%	31-05-2020	21,164	-
BBK DEPOSIT	7.25%	31-05-2020	44,732	-
CO-OP DEPOSIT	7.00%	31-05-2020	15,098	-
EQUITY BANK	7.50%	31-05-2020	552	-
KCB DEPOSIT	8.50%	06-01-2020	20,126	-
CO-OP DEPOSIT	8.50%	06-01-2020	56,261	-
EQUITY DEPOSIT	9.00%	13-01-2020	14,976	-
EQUITY DEPOSIT	9.25%	13-01-2020	125,411	-
EQUITY DEPOSIT	9.25%	13-01-2020	3,010	-
KCB	9%	17-01-2020	15,026	-
KCB	9%	13-01-2020	7,041	-
KCB	9%	20-01-2020	44,205	-
KCB	9%	27-01-2020	42,124	-
KCB	8%	27-01-2020	28,251	-
CO-OP	9%	27-01-2020	30,052	-
CO-OP	9%	27-01-2020	20,054	-
CO-OP	9%	09-01-2020	24,121	-
EQUITY	9%	31-12-2019	10,017	-
EQUITY	9%	31-12-2019	37,605	-
EQUITY	9%	31-12-2019	15,028	-
NCBA	7%	31-12-2019	13,102	-
KCB	8%	31-12-2019	37,602	-
EQUITY	8.50%	07-01-2019	-	4,011
KCB BANK	9.00%	07-01-2019	-	54,226
STANBIC	7.75%	07-01-2019	-	41,855
STANBIC	7.90%	21-03-2019	-	6,397
CO-OP	7.25%	28-03-2019	-	1,436
CO-OP	7.50%	28-03-2019	-	40,609
CO-OP	7.75%	28-03-2019	-	6,726
STANBIC	7.00%	28-03-2019	-	1,363
STANBIC	7.25%	28-03-2019	-	6,564
NIC	8.00%	17-05-2019	-	18,095
CO-OP	10.25%	29-07-2019	-	28,373
EQUITY	7.50%	31-12-2019	-	515
KCB	8.50%	28-01-2019	-	8,005
KCB	9.00%	14-01-2019	-	20,099
KCB	8.00%	14-01-2019	-	26,268
KCB	9.00%	21-01-2019	-	15,151
KCB	8.00%	28-01-2019	-	25,340
Co-op	8.00%	28-01-2019	-	25,340
Co-op	9.00%	20-02-2019	-	10,101
NIC	9.50%	18-03-2019	-	28,124
NIC	9.00%	11-02-2019	-	30,399
STANBIC	9.20%	21-03-2019	-	9,022
KCB	8.00%	28-01-2019	-	33,239
Co-op	8.00%	06-02-2019	-	7,542
NIC	8.00%	20-02-2019	-	39,180
			<b>625,558</b>	<b>487,980</b>



The weighted average interest rate as at 31 December 2019 was 8.48% (2018: 8.27%).

	2019	2018
Maturing as follows:	<b>Sh'000</b>	<b>Sh'000</b>
Within 1 Month	544,012	228,709
Between 1 – 3 Months	81,546	259,271
	-----	-----
<b>Included in the cash and Cash Equivalents in (note 12)</b>	<b>625,558</b>	<b>487,980</b>

The Scheme does not hold any single investment exceeding 5% of the respective class or type except for investment in quoted shares in the following companies:

	2019	2018
	%	%
KCB Group Plc	18	19
East African Breweries Plc	7	6
Equity Group Holdings Plc	18	17
Safaricom Plc	41	37

## 5 Investment Management Expenses

Investment managers	12,744	9,090
Custodian	3,974	2,633
	-----	-----
	<b>16,718</b>	<b>11,723</b>

## 6 Administrative Expenses

Administrator's fees	3,024	3,486
Audit fees	1,933	700
RBA levy	5,000	5,000
Trustees' expenses	6,045	4,131
Capacity building expenses	6,314	7,556
Consultancy	2,184	9,723
Salary and wages	12,180	11,356
Members education	585	-
Other expenses	11,624	8,481
	-----	-----
	<b>48,889</b>	<b>50,433</b>

## 7 Other Receivables And Accrued Income

Contribution receivable	87,669	73,621
Dividend receivable	-	428
	-----	-----
	<b>87,669</b>	<b>74,049</b>
Movement in Contribution Receivable		
As at 1 January	73,621	61,753
Contribution for the year (note 4)	1,019,930	929,602
Contribution received	(1,005,882)	(917,734)
	-----	-----
<b>As at 31 December</b>	<b>87,669</b>	<b>73,621</b>

## 8 Other Payables And Accrued Expenses

	2019	2018
	Sh'000	Sh'000
RBA levy	5,000	5,000
Audit fees	2,059	700
Custodial fees	2,537	2,483
Other service providers fee	1,735	862
Fund management fees	5,111	5,174
Internal Audit Fees	690	-
Fund administration fees	2,454	2,263
Due to KenGen Staff Retirement Benefits Scheme	13,886	21,633
	<b>33,472</b>	<b>38,115</b>

## 9 Cash And Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2019	2018
	Shs'0000	Shs'0000
Cash at bank	11,619	651,158
Fixed and term deposits ( note 7 (e))	625,558	487,980
	<b>637,177</b>	<b>1,139,138</b>

## 10 Income Tax

### a) Tax status of the Scheme

KenGen Defined Contribution (DC) Scheme 2012 has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income to the extent allowable. Investment income earned from investing the accumulated funds arising from the employer and employee's contributions that are in excess of the statutory limit are subject to tax using the statutory income tax rate.

### b) Income tax expense

	2019	2018
	Shs'000	Shs'000
Net investment income on unregistered portion of Scheme	129,740	81,723
Under provision of the prior year net income on the unregistered portion of Scheme	-	42,417
<b>Income subject to tax</b>	<b>129,740</b>	<b>124,140</b>
<b>Current income tax at 30% (2018:30%)</b>	<b>38,922</b>	<b>37,242</b>

### c) Current Income Tax recoverable/(Payable)

At start of the year	(8,448)	9,656
Income tax expense (Note 13 (b))	(38,922)	(37,242)
Tax Payments during the year	34,807	19,138
<b>At end of Year</b>	<b>(12,563)</b>	<b>(8,448)</b>

## 11 Contingent Liabilities

Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Scheme at 31 December 2019 or 31 December 2018

## 12 Related Party Transactions

Related parties comprise the Trustees, the sponsoring company and companies which are related to these parties through common shareholding or common directorships. In addition to amount due to KenGen Staff Retirement Scheme (Note 11) and contributions receivable (Note 10) the following transactions were carried out with related parties during the year:

	2019	2018
	Shs'000	Shs'000
Included in net assets at the year-end are:		
- Quoted shares held in the sponsor company	650	3,117
Transactions with related party:		
<b>Contributions receivable from KenGen Plc sponsor company</b>	<b>1,019,930</b>	<b>929,602</b>

## 13 Subsequent Events

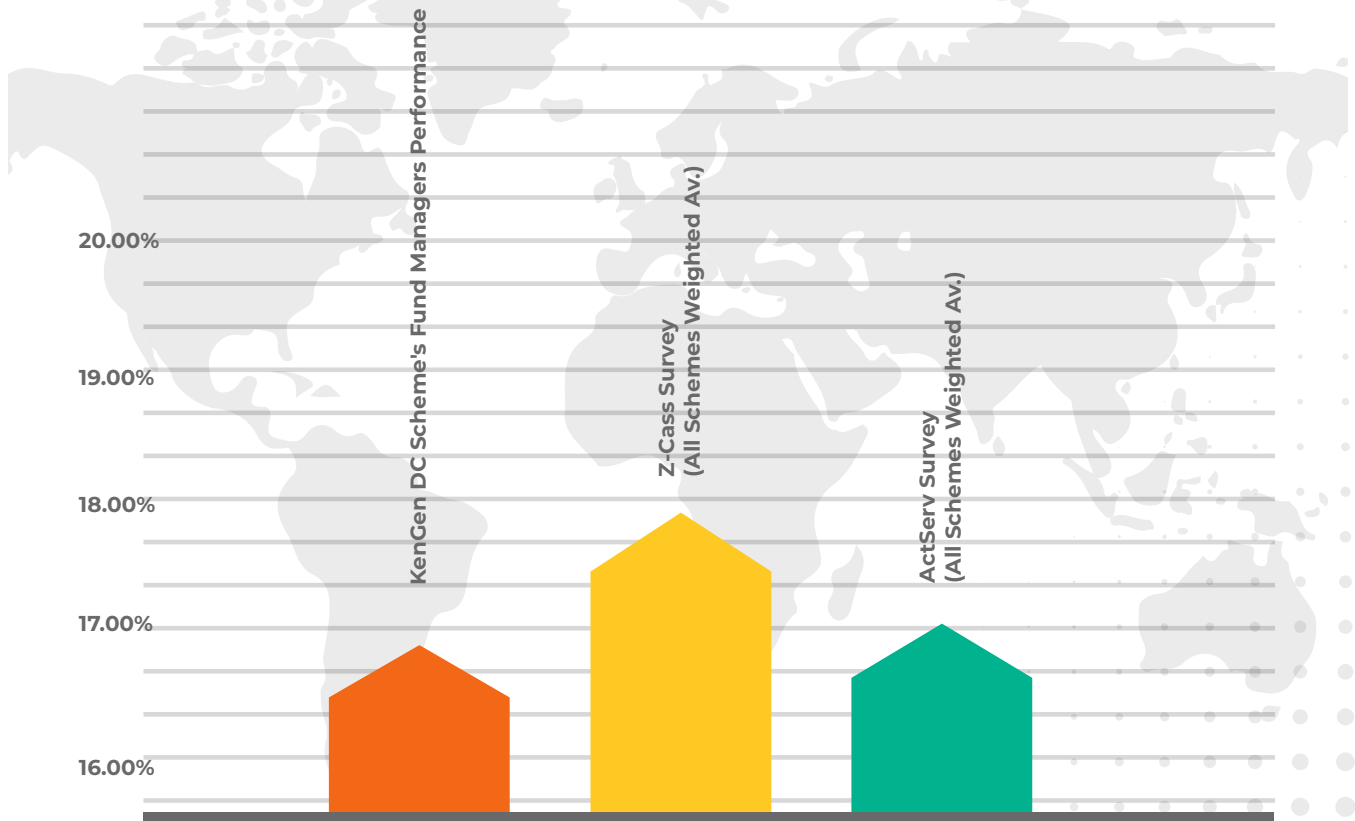
The outbreak of COVID 19, a worldwide pandemic which has been happening since January 2020 is anticipated to affect the economic environment in which the Scheme invests. This is due to lockdown of several business and government directives in an effort to prevent the spread of the disease.





## INDUSTRY STATISTICS

### Time Weighted Gross Return



16.87%

KENGEN DC SCHEME'S FUND MANAGERS PERFORMANCE

17.70%

ZAMARA CONSULTING ACTUARIES SCHEMES SURVEY  
(ALL SCHEMES WEIGHTED AV.)

17.00%

ACTUARIAL SERVICES (EA) LTD - PENSION SCHEMES  
INVESTMENT PERFORMANCE SURVEY (ALL SCHEMES  
WEIGHTED AV.)

*The Fund Managers performance is exclusive of property return.*

## MEMBER SERVICES

### Annual General Meeting

The annual General Meeting gives a member an opportunity to know how the scheme performed in the previous financial year, what return was distributed to members, any changes in the scheme, as well as networking of all classes of members.

This is usually done annually on rotational basis in the KenGen PLC areas of operations. It brings together both employees working in KenGen (Active Staff), retired staff (Pensioners), as well as those employees who left KenGen but have not accessed (Dormant Members) or have left part of their benefits in the scheme (Deferred Members)

It is the responsibility for all members to attend the AGM.

### Member Education

These are member informative forums that are carried out by the scheme once in every two years across all areas of operations which are aimed at;

- Sensitizing members on operations of the scheme
- Advising members on how their benefits are calculated on withdrawal
- Sensitizing members on retirement planning
- Giving feedback to all queries raised by the members
- Updating members on any new regulation issued by the Regulator.
- Obtaining feedback from members.
- 

### Scheme Obligation on Member Services

- i. Service providers should incorporate treating customers fairly in their corporate culture.
- ii. Members should be given information on products and service of the scheme such as lump sum and pension at retirement or joining information to new members.
- iii. Clear and appropriate information should be shared with members.
- iv. Trustees and service providers should provide suitable customer advice to the sponsor and the members to ensure that they access the best retirement arrangement.

### Scheme Operation under Covid – 19

Because of the major global pandemic, the Scheme has put the following measures in place so as to serve our members while keeping safe to reduce the spread of the virus.

- Continuous updates to members on services and information from the Scheme across multiple platforms i.e. bulk SMS, social media, website, emails, and phone call.
- Holding virtual meetings with stakeholders on Scheme administration and investments to continuously ensure members interest and benefits are safe guarded.
- Attending to members on scheduled one on one meetings at the Secretariat office which ensure we also adhere to the social distancing guidelines.
- The Secretariat has also placed measures in place to ensure business continuity such that members rights are met accordingly as provided by the Retirement Benefits Authority.



## GALLERY

### RETIREES VISIT



### WELCOMING NEW RETIREES







## MEMBER EDUCATION







## OTHER 2019 EVENTS







## Notes

# 2020



## **KenGen** **DC Scheme**

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**KenGen Defined Contribution (DC) Scheme**  
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