



**KenGen**  
Staff Retirement  
Benefits Scheme

ISSUE #006 • AUGUST 2021



# The Retirement Journey



Keeping You Updated



# Your FINANCIAL FUTURE IS SECURE

An appropriate forward-thinking strategy and vision are in place for the respective Schemes and serve to strengthen our success, with our priority focused on the long-term financial health of the fund and securing the financial futures of KenGen’s dedicated employees.

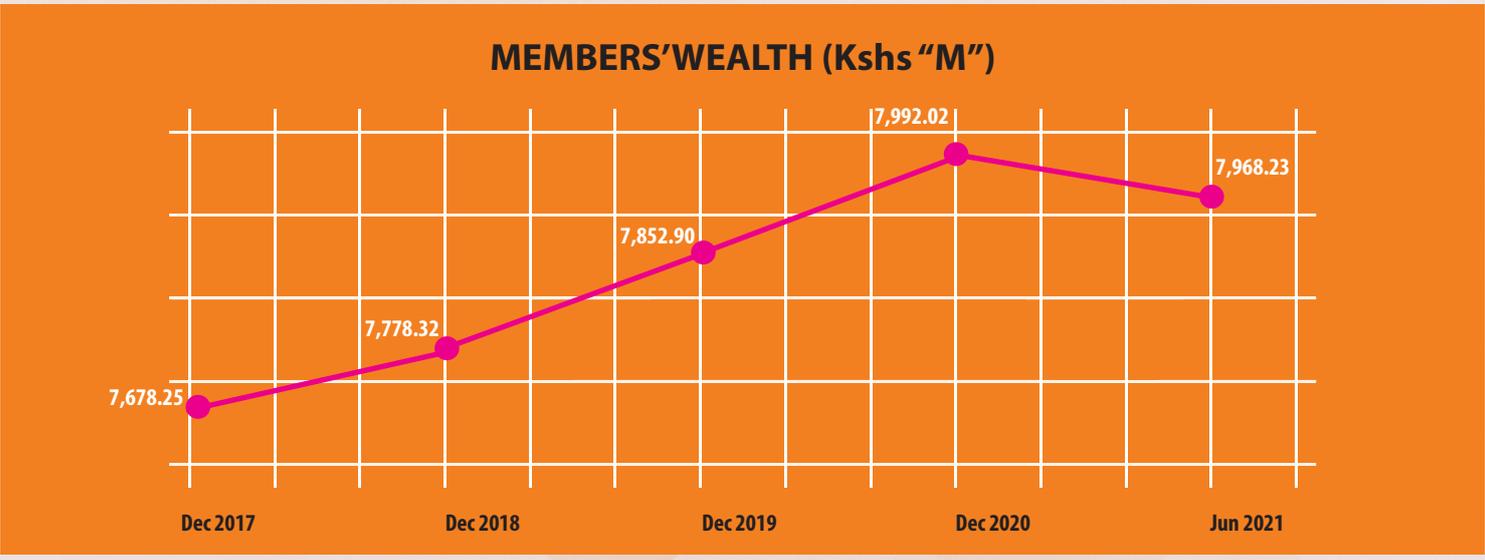
## Investment Allocation

The DB & DC Schemes are long-term investors, and as with any large, mature financial services organization, the challenges of balancing assets and liabilities, investment gains and losses, and operational growth and sustainability guide our strategies as we look to advance sustainability forward well into the future. The boards adopt long-term strategic allocation targets to be implemented over several years.

The following charts provide the distribution of the investments based on portfolio allocation and market value of investments.

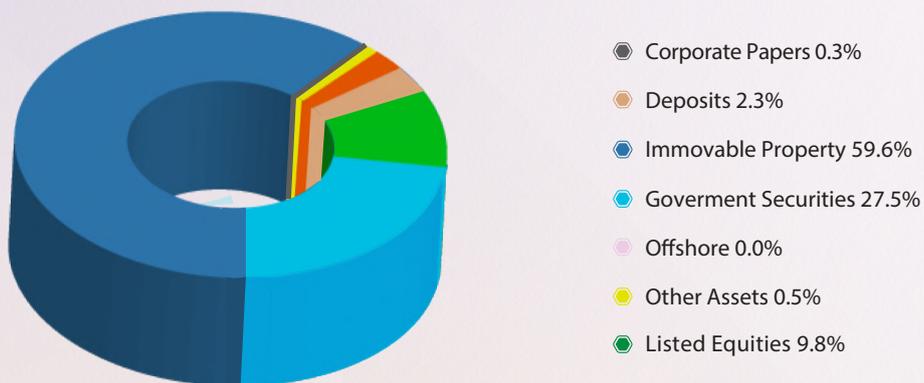
## DB SCHEME

Market Value of Investments for the period ended June 30, 2021

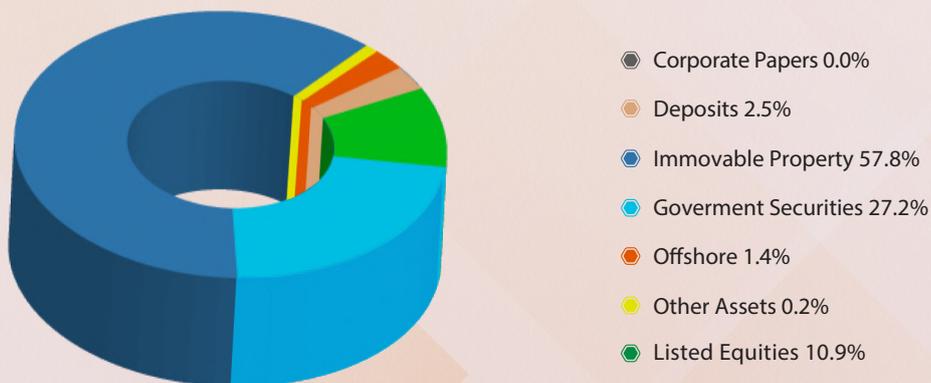


**Asset Allocation:** Total Investment Portfolio of Ksh 7.968 Billion as at June 30, 2021 which grew from Ksh 7.837 Billion in the previous quarter. Below show assets allocation in the last two quarters:

**Asset Allocation as at 31-03-2021**

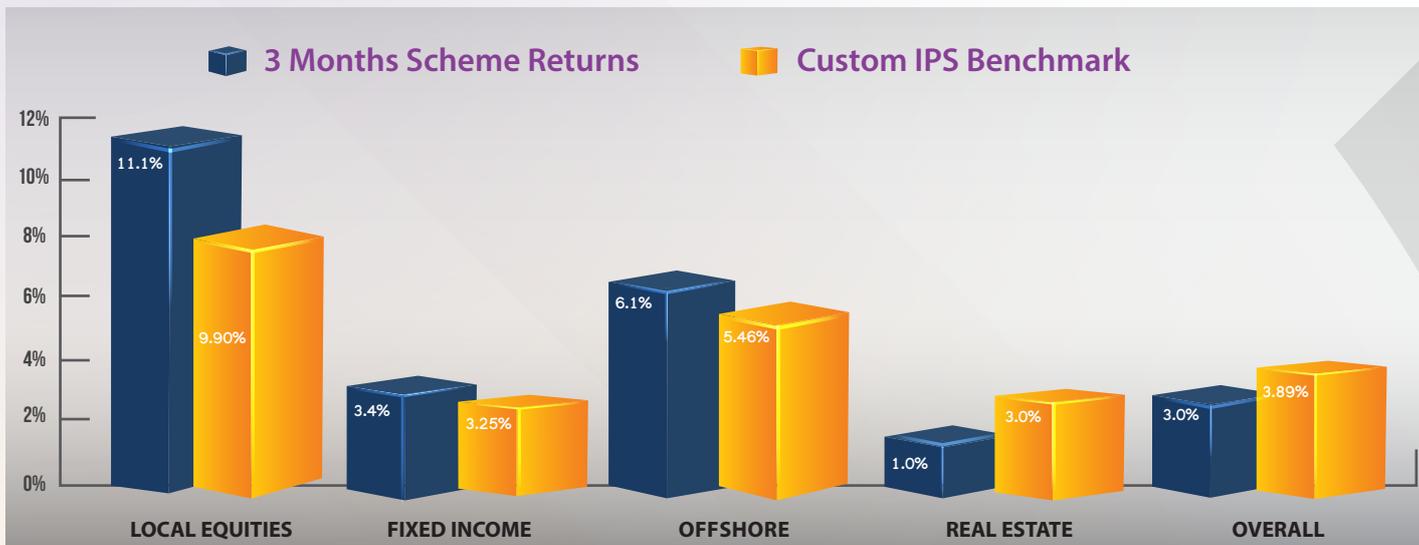


**Asset Allocation as at 30-06-2021**

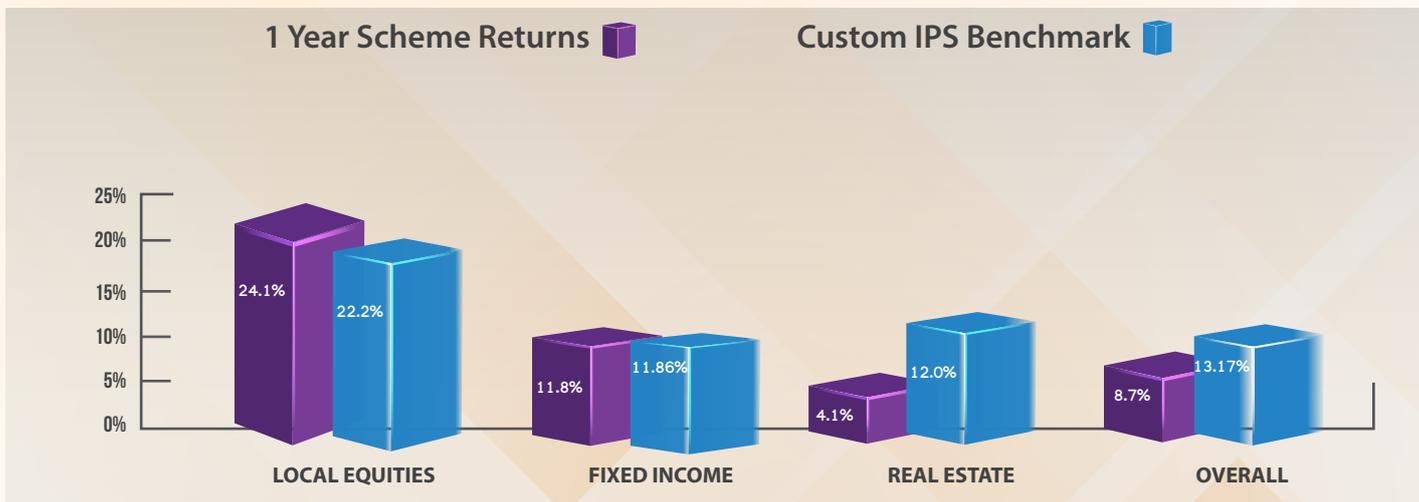


The following charts shows the Schemes returns versus IPS benchmarks as of 30th June 2021. The benchmarks provide the Scheme with a standard of measuring the performance.

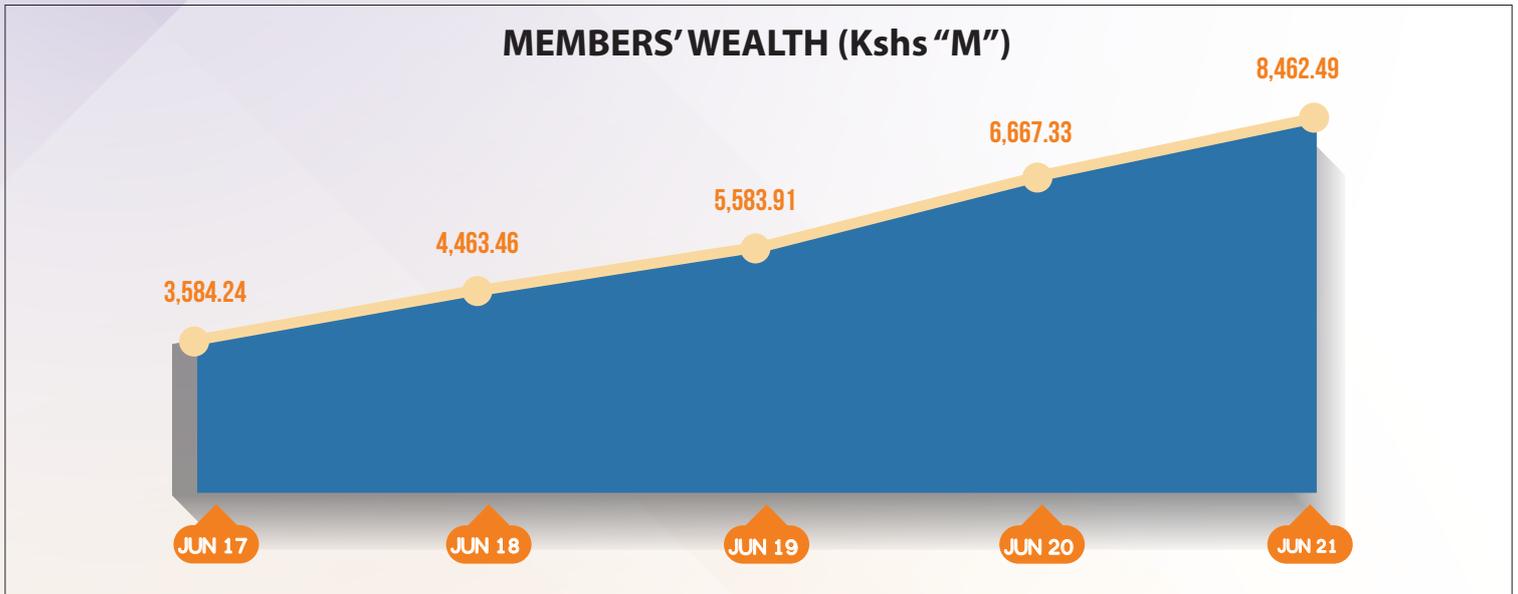
3-months Performance as of June 30, 2021



One-year Performance as of June 30, 2021

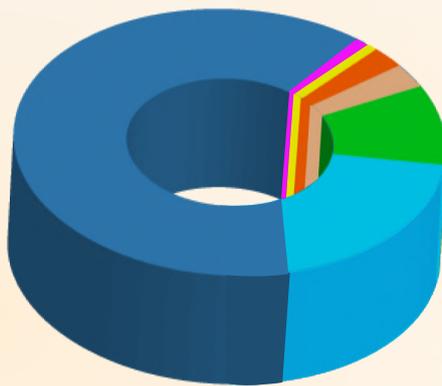


## Market Value of Investments for the period ended June 30, 2021



**Asset Allocation:** Total Investment Portfolio experienced a 7% growth over 3-months ended June 30, 2021 to close at Ksh 8.462 Billion. Below is how the assets were allocated over the last two quarters:

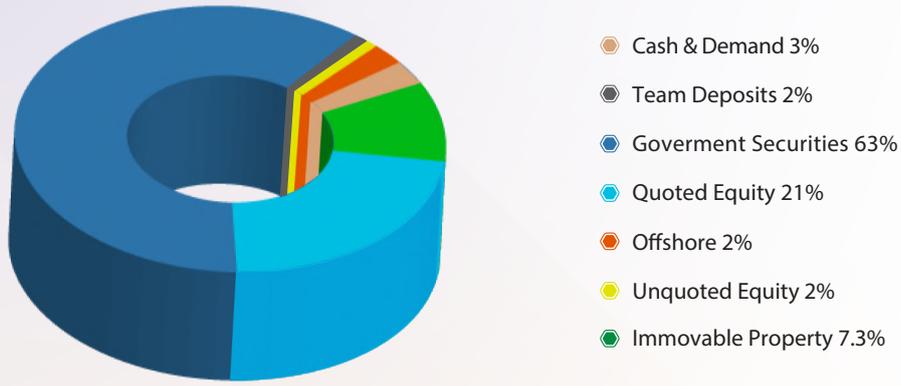
### Asset Allocation as at 31-03-2021



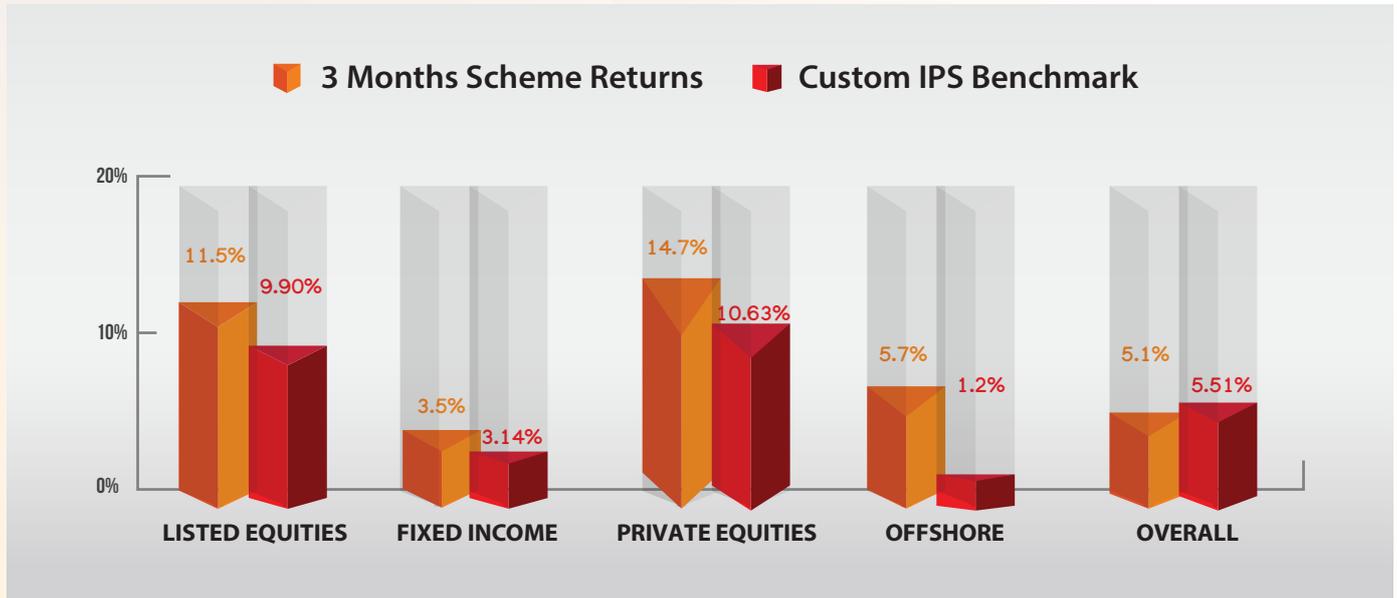
- Cash & Demand 0.0%
- Term Deposits 3.9%
- Government Securities 65.7%
- Quoted Equity 20.0%
- Offshore 1.6%
- Unquoted Equity 1.6%
- Immovable Property 7.3%



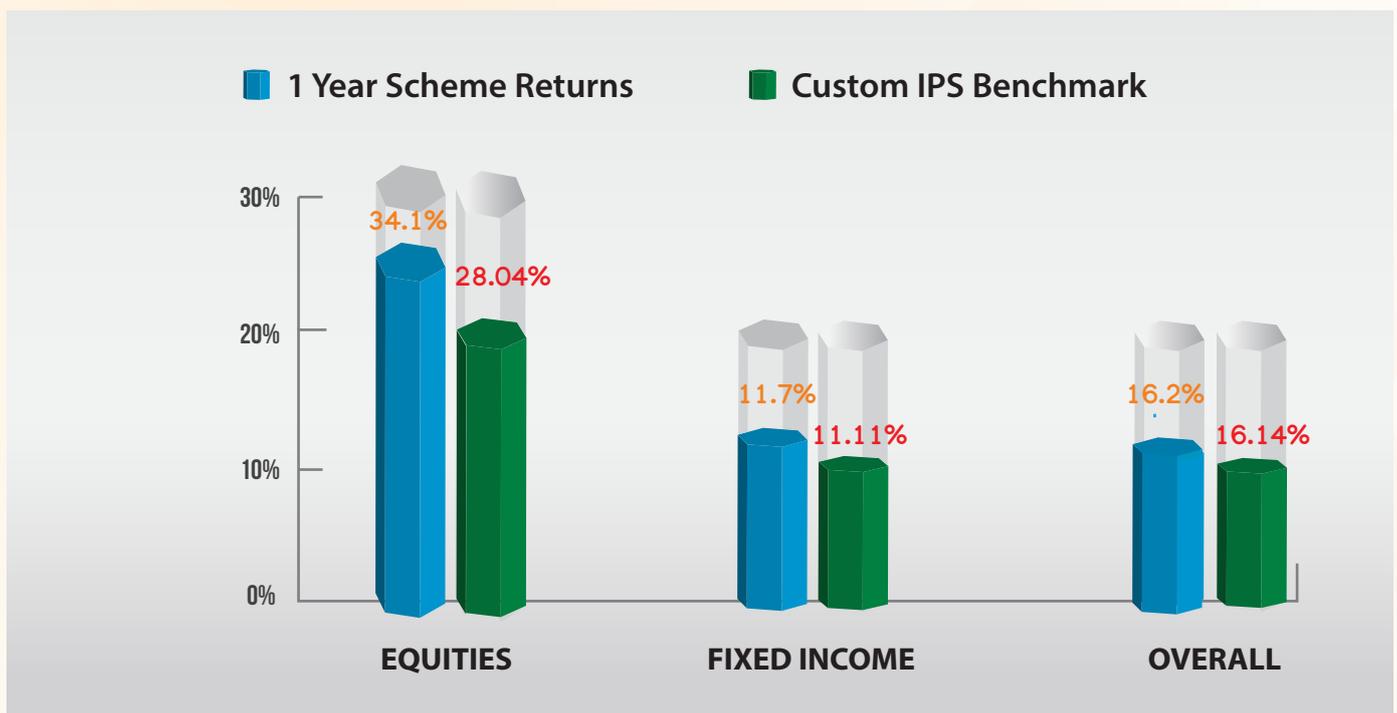
## Asset Allocation as at 30-06-2021



## 3 months performance as of June 30, 2021



## One Year performance as of June 30, 2021



# You Will Not Live Forever But You Can Build Something That Will

by Hannah Nguhi

What is the story of your wealth accumulation? How we get there is through various paths. Through salaried income, starting a business, inheritance, or gifts.

This is the accumulation phase which we all actively engage in building a portfolio of assets in form of property – buildings and/or land, cars, financial investments, pension savings, group life benefits & medical cover.

Have you thought about preservation of what you toil so hard to accumulate? One way is to ensure you have insurance, both life and assets. Secondly, create structures to sustain and propagate your wealth. For instance, if you have an income generating property or business, hire professionals to manage the entity. If you value your job, invest in self – desire to acquire regular training and knowledge. For your dependants, especially minors, save for their education.

As part of preservation, is considering how to distribute your wealth. This is the distribution phase. One way you can achieve this is through establishing a family trust.

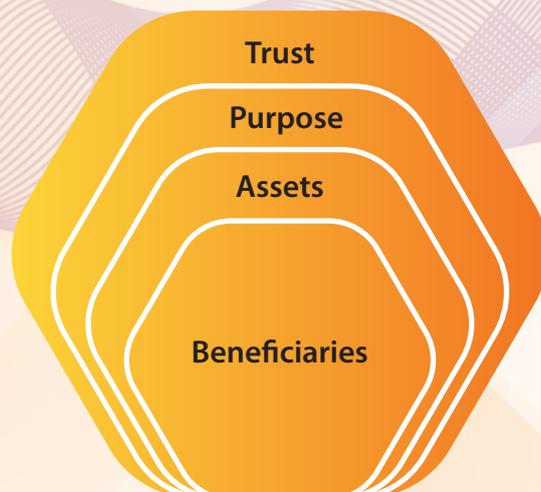
A trust can be compared to a safe deposit kitty that holds and controls management of valuable assets for the benefits of loved ones or courses. I quote Eric Schneiderman who says, *'The distribution of wealth is not determined by nature. It is determined by policy.'*

A trust helps you to think ahead of who will take care of your loved ones such as your children and ensure their education and general wellbeing is in place? Who and how will your savings and investments be administered when I cannot make that decision?

This is how to structure a trust:



Next, ask yourself why do you want to create the trust, to whom is the trust intended to benefit, what is being placed in the trust to meet the purpose?



There are different types of trusts that you could think of:

01

**Education Trust**

Helps your children attain their future academic goals.

02

**Medical Trust**

Freedom and guarantee from medical expenses of your loved ones

03

**Charity Trust**

Investing in the cause you believe in.

As preservation of the kitty is key, cash placed in a trust is invested. A professional advisor will establish a trust in three easy steps:

STEP 01

STEP 02

STEP 03

STEP 04

Preparing a Trust Deed and Rule (TDR)

Registration of the TDR

Apply for incorporation of Trust

Transfer the assets into the Trust

What is important is that you keep an inventory of your assets, ensure documentation of each and ensure you review the trust every three to five years or earlier if there is a significant change required. Leave a legacy that will live on.



# Pension Plan

by Gloria Kikete

**T**here is definitely a conflict of generations between parents and their adult children. The current parents with adult children mostly got them in their late twenties and thirties, as they pursued higher education and chased the corporate ladders. According to Wikipedia a generation is about 20-30yrs. This means children have an entire generation between themselves and their parents. A generation is long enough to change language and mostly social outlooks.

The children are now adults, getting children in their forties. Not that they have slowed down their careers when their children showed up. Instead, they have more money that can afford them outsourced parenting from educated nannies, and gadgets. For nannies, I was impressed, and not surprised that they are paid better than Primary school teachers, and no doubt since they need to have sufficient education, and exposure, to drop the kids to the malls and to fancy birthday parties. They have to know how to prepare fluffy pancakes for breakfast and Lasagna for dinner. They have to have the ability to navigate through Google Classroom and those other sophisticated platforms where schools post assignments.

Meanwhile these young parents are out and about, in floral dresses attending High teas, are wearing expensive yet not so good-looking Golf clad, tipping the caddies. The mummies and daddies are headed to separate office functions, and the sonnies and daughters have to attend ballet and football practice in separate clubs. Nannies must

step up. Drop the children, pick up the groceries, attend parents meeting and register the parents' apology, then head back home to get the laundry out of the machine and press them ready for school and work.

These parents are your children. The ones you are waiting to take care of you in retirement. The ones you expect to be flying you Jambo jet for your monthly medical appointment. The ones who should ensure your breakfast table has a wellness book, freshly squeezed juice, and imported arrow root. These ones are the ones you expect to pay your post-paid telephone bills and visit you in the village.

Please wake up before you get belly up. These children of yours, they missed the class on family ties. They skipped that session on returning the favor and taking care of their aged parents. MPESA may come if you are lucky- If their wife says it's ok. But to see them at your doorstep may be too much to ask. They are too busy for their own children. Where shall they find time for their grandparents' children?

**“These parents are your children.  
The ones you are waiting to take care  
of you in retirement.”**

**T**hese are the kind of children who will sponsor your stay at the old age home and pay for it upfront so you don't have to bother them, they are the ones that will consider your send off in one of two ways-depending on their surname.

Either they will air lift your body from the village dispensary to Lee then send it back to the village in a convoy of those Mercedes Hearses and Wanderjoy trucks, snaking their way back to the bundus. Or, they will just print fancy booklets 'Celebrating a Life Well Lived' drop you off at some cemetery and then get back to their hustle in the afternoon.

***"They are the only ones who value what you do."***

Please don't bank on these ones for a happy retirement. It will be lonely and sad. Invest in people of your generation. Your spouse, your former classmates, and your neighbors. They may be the only ones with the time for you.

They are the only ones who value what you do. You shall sit with them under the trees and laugh about old times and scroll through your children's social pages as they live their lives. And be content that you did for them what you should have, without expecting them to be your pension plan.

***"Invest in people of your generation"***



# Private Equity as an Alternative Financing Method That Support Small and Medium-Sized Enterprises (SMES)

by Josphat Muriuki

**T**he financing of a business in the correct means is a critical key to success or failure of that business. In present conditions, especially in the countries which have advanced markets, there is a quite wide range of method to finance businesses. Although each financial method has advantages and disadvantages, businesses' background and how they settled in the market plays a significant role in choice of financial method.

In Kenya, the investment of the businesses is largely financed by the SMEs themselves or short-term bank loans. However, financing such investments which are supposed to yield return in average-term or long-term by short-term bank loans, brings out negative results in the aspect of banks and entrepreneurs alike.

With the concept of globalization, nations and markets have come closer, developments in the fields of communication and technology along with the market actions became cross-borders. This being the case, with the emerging alternative methods along with the traditional finance has added diversity and prosperity to the managing finance and in an aspect, it helped entrepreneurs to set free of traditional methods.

Diversity in finance methods will surely contribute to the development levels of nations by affecting nations' entrepreneurship activities in positive manner. "Private equity" which makes up the subject stands as an alternative factor supporting entrepreneur and entrepreneurship.

Private equity is classified under the title of "alternative investments" and it includes various investment techniques and strategies as well as asset classes contains shares and bond portfolios which are traditionally used by investors. Private equity (PE) is ownership or interest in an entity that is not publicly listed or traded. A source of investment capital, private equity (PE) comes from high-net-worth individuals, investment institutions like Pensions Scheme, Institution Banks like IFC and firms that purchase stakes in private companies or acquire control of public companies with plans to take them private and delist them from stock exchanges

Considering the fact that private equity is largely to the companies whose investments are not quoted to the capital markets it is a field of alternative investment for the investors as well as it is obvious that it will be an alternative finance type for the small and medium size enterprises also known as SME which are main arteries for our economy and entrepreneurship.

Since the main purpose of private equity investment is to yield high profit from shares, target enterprises are the ones who could provide this high profit, and mostly the ones which are small but able to achieve a rapid development with their technology. Private equity is not only a type of investment financing risky investments. Its main scale is innovation. Provided that it includes new products and services as well as technology it can cover all fields.

Private equity is rather used for development. For that, the companies which plan to utilize this kind of fund should have a clear development strategy. Private equity has been considered as a high-risk high-profit asset class. Such investors join a company for 2-7 years and then they quit. The expected profit rate for the investor is annually 18-35% in the developing markets, maybe even more. Private equity may also be used for buy-outs. Investors take control over a company which cannot fulfill its entire potential, reconstruct it and manage it for a few years, and finally sell it to a strategic buyer or offer it to the public with high profit.

My research indicates that private equity enterprises not only provide financial support but also serve in various managerial and technical issues. It has been noted that there has been a positive interaction as a result of harmony between private equity sides and invested companies develop in order to achieve perfection because of this reason. Besides the interaction between sides is mostly productive, it can also be not contributing, and even destructive.

Private equity companies hence are professional financial transmitters which can transfer the resources they obtain from people/institutions who have the fund to be invested to innovative, inventing, young and dynamic entrepreneurs who are in need of fund. Private equity companies form the basis of private equity model and they are experts in collecting funds and converting them into investments.

Kenyan's Regulatory framework for Private Equity started way back in 2000 where the Capital Markets Act, Chapter 495A, provided for the Capital Markets Authority (CMA) to register qualifying venture capital firms. From since, the Capital Markets (Registered Venture Capital Companies) Regulations, 2007

were enacted to facilitate the operations of venture capital firms in Kenya. Registration under these regulations are not compulsory and was intended to be mirrored with attractive taxation benefits. However, I am not aware of any registered venture capital firms to date. Additionally, as of 30 June 2020, the Capital Markets Act was amended to enable the CMA to license, approve and regulate private equity and venture capital companies that have access to public funds.

During parliamentary consideration of this legal provision, the reasons provided for this amendment was the need to safeguard funds accessed by private entities from public entities such as public pension schemes. However, no further legal amendments have been made or regulations enacted to clarify this regulatory approach. As such, the regulatory landscape in Kenya has, from a practical view, remained unchanged.

Currently we have a number of Private Equity funds that have fundraised or invested locally among them being them being; Helios Investment Partners, Emerging Capital Partners, Actis, Educas Investments, Satya Capital, Amethis Africa, Catalyst, Consolidated Infrastructure Fund, Abraaj Capital, Dutch East African Group, Gray Matters Capital, Everstrong Capital, Development Partners International and AfricInvest.

Notable most of the investment by these fund managers have been concentrated in Western Africa and Southern Africa leaving East Africa with a very small share of these mode of financing. Locally the following organizations have enjoyed Private Equity Financing; Java House, Prime Bank, Britam, Equity Bank, Telkom, Naivas & Quickmart Supermarket among others.



In conclusion, it's good to note that traditional finance system in our country proves to be helpless in providing financial support to small and middle scale. 99% of SMEs in the country is small and middle scale enterprises yet they receive 5% of bank loans.

Therefore funding raising organization which are supposed to vitalize economy and industry life has to work out alternative financial methods and put these methods into application. Private equity is only one of these methods.

Private equity not only provides capital and long-term funds but also provides manager ship in time and management and information support. In our country where a conservative stance is performed in the issues like entrepreneurship and risk taking the nations political and economical consistency is a vital factor in attracting the foreign investor.

***“The abundance of entrepreneurship and innovation activities are the factors which affect one nation’s competitive force.”***

Private equity should not only be considered in micro scale as it provides support to technological innovations and improvements, its contribution in macro level is quite important.

The abundance of entrepreneurship and innovation activities are the factors which affect one nation’s competitive force. To make private equity more common in Kenya, informative seminars should be held by academicians and finance experts from professional bodies like ICPAK, ICIFA, CFA Society and a cooperation between government, financial institutions and universities should be set, In order to make private equity more liquid means of investment in stock should be established to reduce liquidity risk which is one of the greatest handicap of this method financing.

Besides it is vital to adjust education system through CBC in order to create young mind which are capable of creating innovative ideas and projects, noticing the opportunities, taking risks which are the essence of private equity. It should not be omitted that it is meaningless to talk about private equity where there are no innovative projects.



# RBS Hybrid AGM Year 2021 Highlights

by Purity Kamau

This year, the Schemes held a hybrid AGM which was fabulous as described by many. This allowed integration for physical and virtual attendees. As described by the regulator representative present during the meeting, this was one of its kind and where technology was highly appreciated. The physical event was hosted in the Eastern Hydros at the Matendeni Sports Grounds.

The physical attendees were specifically the Eastern Hydros members while members from other regions and pensioners joined virtually. The event was well attended with One Hundred and Eighty Nine (198) members attending physically and Six Hundred and Fifty Eight (658) members and pensioners attending virtually.

The Board of Trustees was also well represented with in attendance being the Managing Director & Chief Executive Officer of KenGen PLC, Mrs. Rebecca Miano (MBS) in her capacity as the Sponsor Representative as well as a Trustees for both Schemes i.e Chairman of the DB Scheme - Mr. Joseph Sitati, Chairman of the DC Scheme - Mr. Ernest Nadome, Trustee Abraham Serem, Trustee Mary Maalu, Trustee David Mwangi, Trustee David Masio, Trustee Asaria Onsoti, Trustee Peter Mutemi, Trustee Patrick Kimemia and RBS CEO & Trust Secretary - Josphat Muriuki. Eastern region being the host for the event was well represent with the physical attendees being led by Engineer Julius Odumbe the Regional Manager. The event was also graced by the RBS Secretariat staff, Schemes' Service Providers and representatives from the Retirement Benefits Authority, the industry regulator.

The event kicked off with warm welcoming remarks by the Regional Manager, Eastern Hydros and soon after the AGM for the DB Scheme "Old Scheme" started. The DC Scheme "New Scheme" followed shortly thereafter. The AGM, being a key communication mean to the members by the Trustees was well programmed to ensure that the business of the day flowed as planned.

Being an annual event one of the major presentations was from the Schemes' Auditors who were present to present the Audited accounts as at 31st December, 2020 together with their opinion which was unqualified for the both Schemes.

The presentation from the various service providers majorly concentrated on Financial Performance of the scheme, Scheme Administration, Trustees' Responsibilities, Scheme Governance, Scheme Investments, Scheme Fund Value Scheme Membership among others

Notable from these presentations was the fact that despite Covid-19 having a great impact on the economy, the schemes managed to have a growth of averagely 7% during the year. The Schemes performance was highly attributed to the shrewd management the Scheme by the Board of Trustees and diversification strategy adopted in scheme assets investment. The net worth for the two schemes was 15.602 billion with the DB scheme taking the larger share of 7.92 billion and DC Scheme being at 7.682 billion.

The Board of Trustees has been working tirelessly and putting necessary efforts in making the Schemes admirable entities was echoed by the MD & CEO Mrs. Rebecca Miano, (MBS) in her capacity as the Sponsor Representative during the event. This was further affirmed by the Retirement Benefits Authority Representative, Mr. John Muli who as well commended the Sponsor of the Scheme, KenGen PLC for the overwhelming support to the Schemes by ensuring that members contributions were remitted timely despite the harsh economic challenges experienced in year 2020.

To sum it up, the plenary session was opened to members to air their queries to the Trustees, a session which was well coordinated for both physical and virtual attendees.

“Sharing is Caring”. This was made possible by Matendeni Senior Club and Megawatt Cafe whereby all in attendance physically had the opportunity of having something to munch and drinking after an interactive and educative event.



Chairman of the DB Scheme  
Mr. Joseph Sitati



Chairman of the DC Scheme  
- Mr. Ernest Nadome



MD & CEO KenGen PLC  
Mrs. Rebecca Miano



Trust Secretary  
Mr. Josphat Muriuki

# Retirement Planning

by Peter Miano

## What's Your Plan for Retirement?

Most people tend to think retirement is far way but the truth of the matter is that it is never too early to start planning for your future and retirement. One widely known concept that can help us to apply this is retirement planning. We dissect this by looking at the separate meaning of both words, where retirement in simple terms is the time when one chooses to leave one's job or ceases to work and on the other hand planning is the process of thinking of activities and steps to put in place to achieve a desired goal or state.



Retirement planning is thus the crossroad between planning and retirement where a person strategizes on how they will save and invest for their future towards a better retirement. It is important to note that you should not only save towards your retirement but also invest for revenue growth as you will need cash flow in retirement thus income earning/-generating assets will be key. A fund that generates interest on your saving is a good example.

Other income earning assets are property rentals, businesses generating consistent income, treasury bonds, dividends e.t.c. The income replacement ratio shows us that one needs up to 70% of their current

income to sustain a similar standard of living or lifestyle upon retirement meaning, if you earn a salary of Kshs 100,000 you would need a minimum pension of Kshs 70,000 to maintain the same lifestyle.

The Retirement Benefits Authority had done a survey in 2019 indicating that Kenya's income replacement ration was at 34%, which clearly indicates that it would not be enough to sustain one's current lifestyle and needs.

Therefore, one needs to come up with income generating assets. Having a parcel of land may have value but this is not a consistent and continuous source of cash flow if left bare, unless one farms the land and sells the proceeds to a readily available market, this would make it an income generating asset.

Another good example is one may save up to Kshs 8,000,000 in Stima Sacco before retirement and based on statistics the Sacco gives dividends of up to 10% on average where you can be earning an extra income of up to Kshs 66,000 monthly in addition to your pension thus making one's retirement life more comfortable.



On the other hand, there are loans with low interest rates, an example of this being the KenGen mortgage and car loan. Both have low interest of 3 to 4.5% where I would recommend a different convention or approach.

What am I really talking about, most of you would ask? Well, instead of paying the loan back immediately I would recommend investing that money on an investment product that would get you an interest of nearly 10% allowing you to generate more money than you would have spent in clearing the loan with the interest of 3 to 4.5%.

You may even use part of the profits to clear your loan as you reinject a part of the money back into the investment, making money work for you rather than you working for the money.

***“We need to note that even as we invest and build our businesses, we are also developing generational wealth”***

In conclusion, we need to note that even as we invest and build our businesses, we are also developing generational wealth which will translate as an income generating asset for not only ourselves but also for our children and their generation to come.

We should not bank on our children being our retirement plan, the idea here is to work for both ourselves and the future generation to come.





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