

**22ND ANNUAL GENERAL MEETING
OF POSTAL CORPORATION OF KENYA
STAFF PENSION SCHEME**

CHAIRMAN'S REPORT JUNE 2023

INTRODUCTION

- It is with great pleasure that I welcome all members and all stakeholders to our 22nd AGM. I am delighted to present the pension scheme report for the year ended 30th June 2023.
- The year ended was characterized by challenging investment environment arising from volatility in the equities market, inflation and reduced government expenditure.
- In spite of the challenges, the growth momentum and returns witnessed in the previous financial year continued to the year under review albeit at a lower rate.

INTRODUCTION CONT...

- ▶ The objective of the Scheme is to provide cash and pension benefits to members on retirement or relief to families in the unfortunate demise of a member.
- ▶ We wish to notify our members that this objective was achieved and payments totaling over Kshs 479 million was made in respect to Pensioners and other members who retired during the year.

ACTIVITIES UNDERTAKEN DURING THE YEAR

- ▶ In an effort to improve its Operations, the Scheme has continued to modernize its services through implementation of systems such as the ERP as well digitization through an Electronic Document Management System, which has greatly improved efficiency and turnaround time in responding to member queries.
- ▶ The Portal that allows members to check their details online is now operational at <https://portal.postapension.co.ke>. Members are invited to try and give feedback to the secretariat.

SCHEME PERFORMANCE

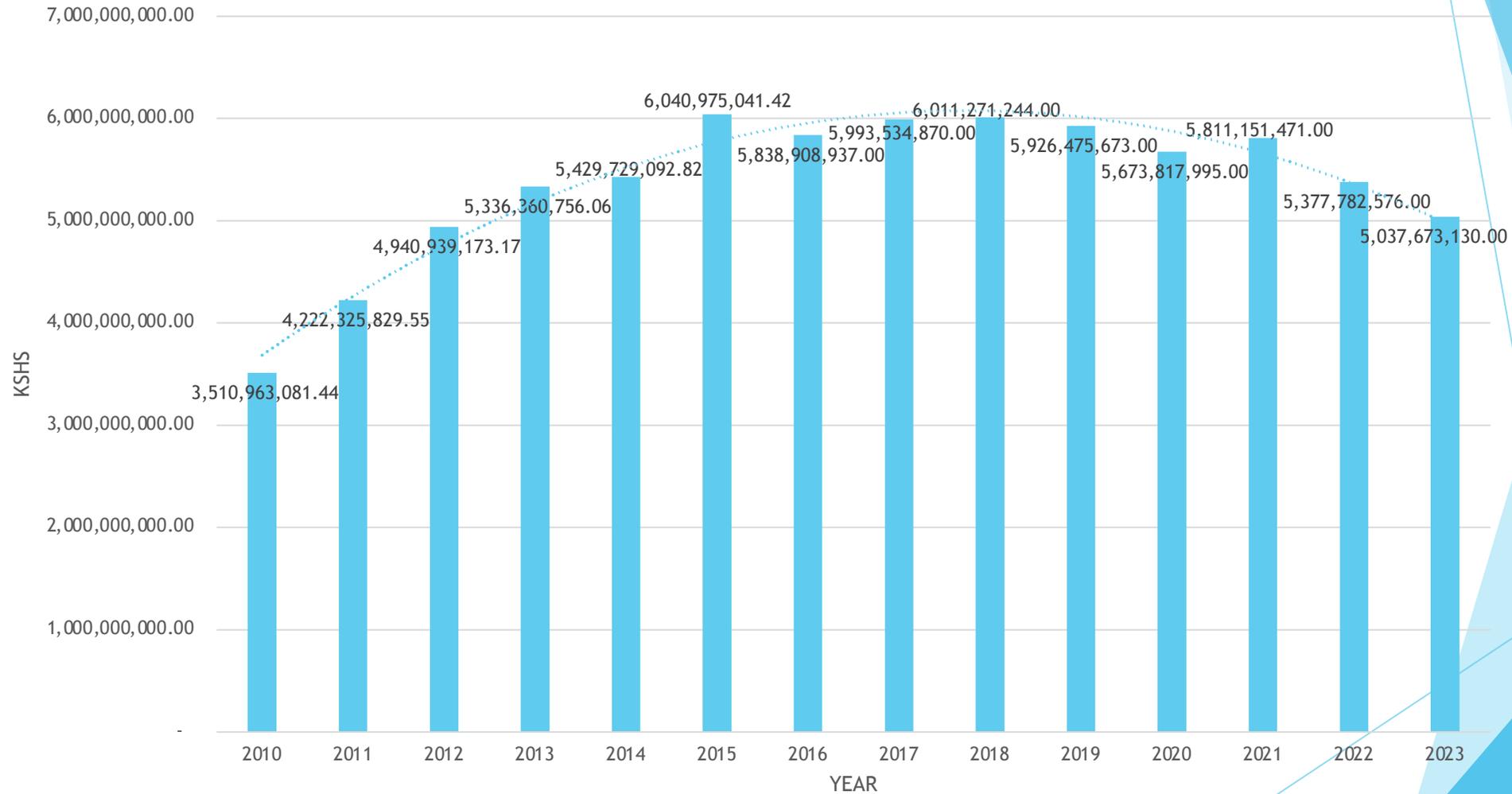
- ▶ The Value of the Schemes investment portfolio decreased from Kshs 5,377,762,576.00 as at 30th June, 2022 to **Kshs 5,037,673,130.00** as at 30th June, 2023.
- ▶ The decline is attributed to change in fair value of financial assets which declined by Kshs 124,470,434.00. Despite the decline the scheme was still able to pay retirement benefits of Kshs 479,048,502.00 through return on investments and part liquidation of financial assets.

SCHEME PERFORMANCE

- ▶ The continued liquidation of performing financial assets is a concern which if not addressed will result in the Scheme becoming illiquid in the near future .
- ▶ Trustees cognizant of the above have commenced the process of disposing off the immovable properties, proceeds of which will be invested in performing financial assets.

HISTORY OF SCHEME PERFORMANCE

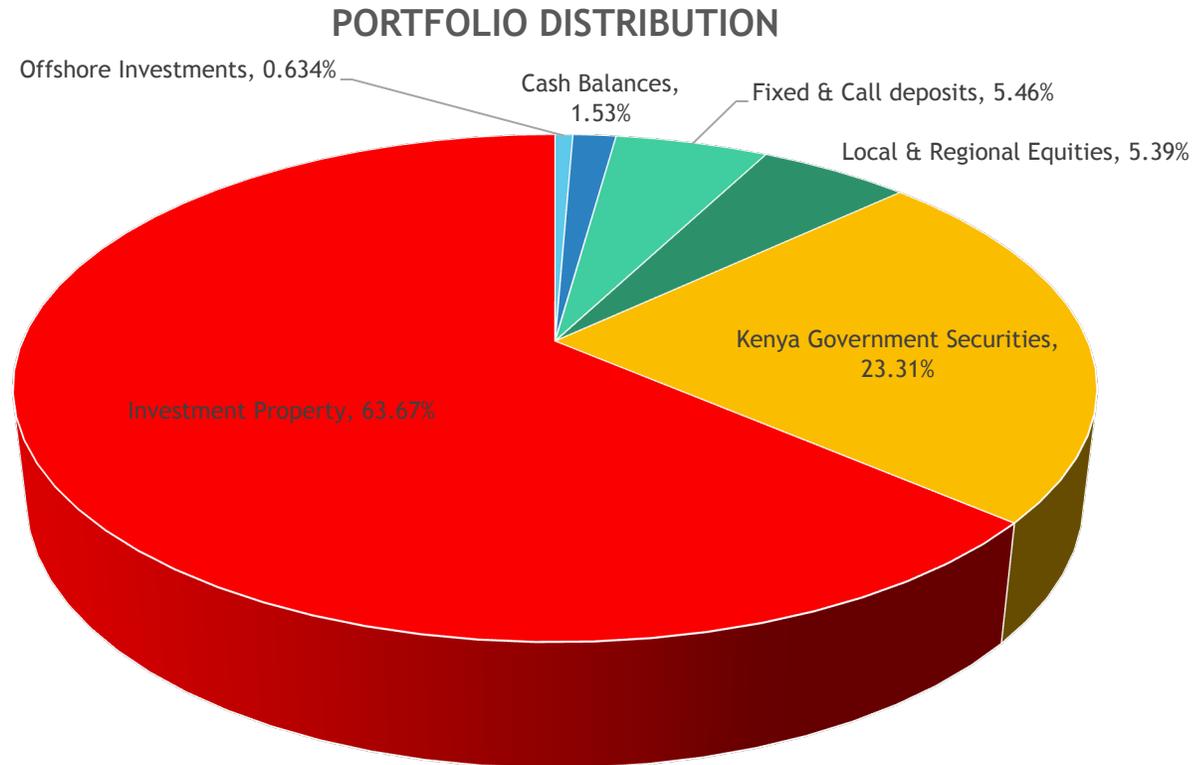
FUND VALUE FOR THE ELEVEN YEARS



12/8/23

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SCHEME ASSETS DISTRIBUTION



■ Offshore Investments ■ Cash Balances ■ Fixed & Call deposits ■ Local & Regional Equities ■ Kenya Government Securities ■ Investment Property

FINANCIAL ASSETS

- ▶ The Scheme financial assets stood at 36.3% of the Fund assets distributed to the different asset classes as follows: -

ASSET CLASS	HOLDING	% OF FUND VALUE
Offshore Investments	32,092,346.00	0.634%
Cash Balances	77,668,817.00	1.53%
Fixed & Call deposits	276,166,891.00	5.46%
Local & Regional Equities	272,762,130.00	5.39%
Kenya Government Securities	1,179,621,232.00	23.31%

- ▶ The financial assets gave a return of Kshs 221,844,465.00. Focus is to increase exposure in financial assets from proceeds of sale of property.

PROPERTY PORTFOLIO

- ▶ The Retirement Benefits Authority (RBA) regulations require investment in property not to exceed 30%. As at 30th June, 2023, the property portfolio stood at 63.7% of the Fund value and therefore the Scheme was not compliant.
- ▶ The returns from the Property portfolio is only 2% p.a although accounting for 63.7% of the entire fund compared to financial assets that give returns as high as 13%.
- ▶ Despite the 2% return, the Scheme realized an increase in rental income from 88,850,955.00 to 94,551,992.00.

CHALLENGES FACED ON THE PROPERTIES

▶ Court Cases by tenants

The Scheme successfully concluded the River view matter and has reviewed rent to Kshs 40,000.00 up from Kshs 19,000.00.

The Lantana property rent review is still pending a court ruling.

▶ Low rental income and non payment of rent by the sponsor

The Scheme has continued to engage PCK to pay the rent and recently successfully managed to collect rent for two years in respect to rent owing at Ronald Ngala PO. Current outstanding rent is now over Kshs 286 million.

CHALLENGES FACED ON THE PROPERTIES

- ▶ Low occupancy especially on Commercial Properties.

PROPERTY	OCCUPANCY LEVEL	PREVIOUS OCCUPANCY LEVEL	REMARKS
Mombasa GPO	68%	67%	New Tenant took up space at the Annex
Ronald Ngala PO	50%	42%	New tenant took space at 2nd Floor
Lantana Maisonettes	100%	100%	
Lantana Flats	100%	100%	
River View Apartments	94%	100%	Two tenants vacated due to reviewed rent
Voi	100%	100%	

WAY FORWARD

- ▶ Disposal of Properties and investment of proceeds on high yielding financial instruments.
- ▶ Review of rents to market rates
- ▶ Further Improvement of processes - Most of the Scheme operations are now automated.
- ▶ Updating of Scheme policies to comply with changes introduced from time to time.

APPRECIATION

- ▶ I wish to appreciate all the stakeholders for their dedicated support to the Scheme; The Sponsor and all members of the pension Scheme, The Secretariat - headed by our able CEO and Trust Secretary Mr. Elijah Koskey, The Scheme Custodian – Stanbic Bank, The Fund Managers – Sanlam Investments and Old Mutual Investment Group, The Scheme Property Managers, The Scheme Auditor – M/S Matengo & Associates, and the Scheme Actuaries M/s. Zamara Actuaries Limited.

APPRECIATION

- ▶ Lastly I want to thank all the Trustees who served with me during the year and those in office now. Your support is highly appreciated.
- ▶ Lets continue ensuring that the graph that we just saw of the scheme declining begins to rise as we join hands in implementing strategies proposed by our Consultants.
- ▶ God bless you all.

The End