

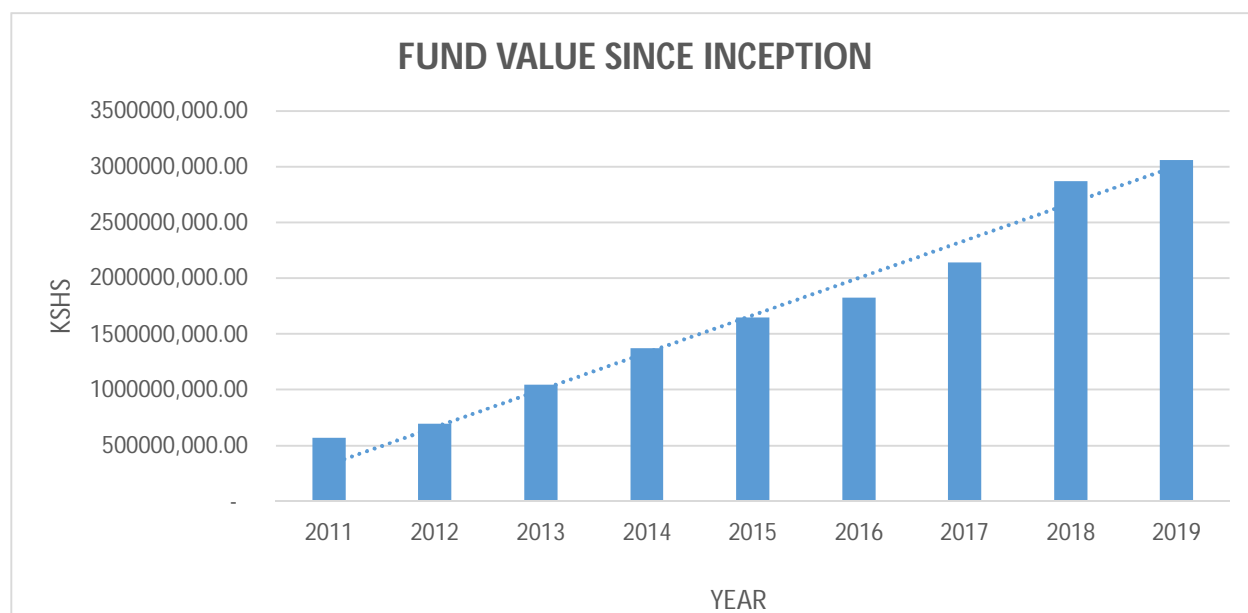
# POSTAL CORPORATION OF KENYA STAFF RETIREMENT BENEFITS SCHEME

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 30TH JUNE 2019

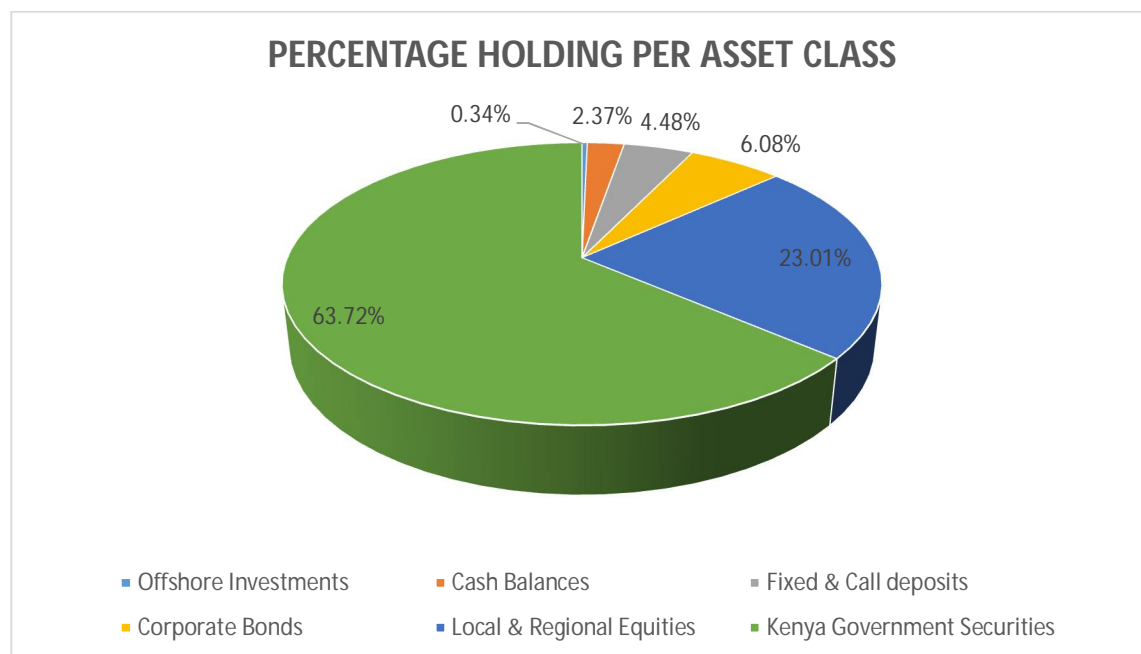
It is with great pleasure that I welcome all members and all stakeholders to our 10th AGM. I am delighted to present the pension scheme report for the year ended 30th June 2019. The year ended was characterized by challenging investment environment arising from volatility in the equities market, inflation 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. 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. Our vision is to be a model pension scheme anchored on the values of efficiency and trust.

### Investments

The Value of the Schemes investment portfolio increased slightly by **6.1%** from KES 2.9 Billion in 2018 to KES 3.1 Billion as at 30th June 2019. The slight increase is attributed to the challenging investment environment coupled with the fact that the Scheme has not received consistent contributions from June 2015. Despite this, the Scheme was able to meet its objectives of paying out benefits to members, having paid approximately Kshs 179 million in respect to members who left service during the year and other expenses outlined in the statement of cash flows. The Scheme has grown tremendously since its inception starting at Kshs 572 million in 2011 to close at 3 billion in 2019. The investment growth over the last ten years to 30th June 2019 is as shown in the figure below:



As at the close of the year, the Schemes investment portfolio was distributed as follows:



### Status of the Unremitted Contributions and payment of Retirement Benefits

The Sponsor ceased making contributions from the month of June, 2015 and Trustees have on a number of occasions engaged PCK regarding the matter, discussions which are still ongoing. During the year 2018/2019, the Scheme received contributions amounting to Kshs 6,823,498.00 in respect to employee contributions for the month of February, 2017. The Scheme has continued to charge interest in accordance with the law and as at the year end the outstanding contributions and interest amounted to **Kshs 1,433,342,238** made up as follows:-

DESCRIPTION	AMOUNT
Contributions due for upto 30 days	16,189,800
Contributions due for more than 30 days	832,047,192
Interest on overdue contributions	584,952,379
Investment income receivable	152,867
<b>Total</b>	<b>1,433,342,238</b>

The Scheme has continued to process benefits of members who leave service to the extent of the contributions received and interest earned on investment. The

Scheme sought the advice of the Actuarial Consultant to determine the interest rate for the contributions received and those not received and it was determined that interest earned for contributions received was 9.1% while interest on the contributions that have not been received earned an interest of 20%. This is due to the fact that the Scheme charges interest on the unremitted contributions based on the law. PCK has committed to remit all contributions outstanding for members who leave service as they make arrangements to remit the outstanding arrears in cash or through transfer of properties two of which have already been identified. Additional properties to cover the deficit will be approved by the Board of Directors of PCK, who have been recently appointed.

In an effort to hasten the process of the transfer of the properties Trustees moved to Court to compel PCK to transfer the properties to the Scheme. This process is still ongoing in Court.

### **Strategic Plan**

During the year, the Scheme launched its five year strategic plan themed gaining altitude that aims at growing the Scheme from the current Kshs 3 billion to Kshs 5.7 billion by 2024 focusing on five thematic areas that include: growing Scheme assets by 15% annually, improving members service experience, deployment of new technologies to increase efficiency, risk management, regulatory compliance and governance and developing the institutional human capital. Members are encouraged to download the Strategic Plan from the Scheme website.

### **Sector changes**

During the year, the Pension Sector witnessed a number of changes that I would like to bring to the attention of members, some of which include:-

#### **i) Change of preservation rules**

Previously, the law allowed members who leave service before attaining the retirement age to access upto 100% of their own contributions and upto 50% of employer contributions in the DC Schemes. The law has now been amended to disallow members who leave service from accessing the entire contributions by the Sponsor.

#### **ii) Income draw down**

Income draw down is an alternative to purchasing an annuity and the law now allows members to opt for income draw down in addition to purchase of an annuity. A member can now use a portion of the purchase price for income draw down.

#### **iii) Post-Retirement Medical regulations**

The Retirement Benefits Authority has now enacted the Post-retirement medical scheme which allows members to access medical facilities upon retirement. The objective of these guidelines is to facilitate the establishment, regulations and supervision of the management of postretirement medical funds by:-

- a) setting out the framework for the management and administration of post-retirement medical funds;
- b) providing guidance to schemes to provide for additional voluntary contributions by members in respect of postretirement medical funds;
- c) providing guidance on transfers and access to postretirement medical funds; and
- d) other such guidance as may be required from time to time.

#### **iv) Good Governance guidelines**

The Authority recently gazetted the good governance guidelines whose objective is:-

- a) to enable sponsors, members, trustees and service providers to implement and promote proper standards of conduct and sound governance practices; and
- b) to ensure that sponsors, members, trustees and service providers exercise their fiduciary duties effectively and diligently.

To comply with these guidelines, the Scheme shall be required to ensure that policies related to good governance are developed. The Scheme is in the process of finalizing the policies contained in the guidelines.

Other amendments are contained in the RBA website and members are invited to familiarize themselves.

#### **Changes in the Board of Trustees**

I would like to appreciate the Trustees who served with me during the year for their support and dedication. I would particularly want to thank Hon. Ibrahim Salat and Mr. John Tonui for their service to the pension Scheme until the end of their terms in July 2019. Finally, I wish to appreciate the following for their dedicated support to the Scheme; The Sponsor (PCK Board), PCK Management, all members of the pension Scheme, The Secretariat - headed by Mr. Elijah Koskey, The Scheme Custodian – M/s Kenya Commercial Bank Group, The Fund Managers – Stanlib Investments and African Alliance Investments, The Scheme Auditor – Mazars Certified Public Accountants, and the Scheme Legal Advisor – the Corporation Secretary, Postal Corporation of Kenya.

Dr. Salim Ndemo, MBS, SS, MloD  
**Chairman, Board of Trustees**