

ASSOCIATION OF RETIREMENT BENEFITS SCHEMES

Annual General Meeting 2018

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CHAIRPERSON'S REMARKS

Simon Nyakundi

Objectives of ARBS

- To encourage the development of closer links between trustees, sponsors and others involved with retirement benefits schemes,
- To increase knowledge and understanding of retirement benefits arrangements,
- To represent the interests of its members to the statutory authorities responsible for retirement benefits and other statutory authorities.

Council Members

Mr John Macharia and Ms Anne Njeri have resigned from Council. Following these resignations, the undermentioned Council members were in office and continue

- Simon Nyakundi (Kenya Railways Staff RB Scheme)
- Wilson Ngugi (US Government Pension Fund)
- Florence Nduba (KCB Custody)
- Jane Nzau (Central Bank Pension Fund DC)
- Simon Wafubwa (Enwealth Financial Services)
- Henry Kyanda (KPLC Pension Fund)
- Paul Okwemba (Nampak Staff Pension & Life Assurance)
- Antony Kilavi (Zamara Administrators)
- Peter Anderson (OMIG)
- Bernard Murunga (Centum SRBS)

Council Members (...cont)

In order to maintain the level and competence of the Council, Daniel Mainga and Jane Gitau were coopted onto Council. Daniel heads the schemes administration division at Minet Kenya and Jane is in charge of retirement benefits business at CIC.

We thank John Macharia and Anne Njeri for their service to the Association and welcome Daniel and Jane as new Council members!

Office Bearers

The Officers of the Association, who are appointed by the Council, are:

Chairperson: Simon Nyakundi

Vice Chairperson:

Treasurer: Wilson Ngugi

Secretary: Florence Nduba

The post of Vice Chairperson will be filled at the next Council meeting.

Association Activities

- i. The PPAD Act 2015 litigation
- ii. Umbrella Scheme Regulations
- iii. National Retirement Benefits Policy
- iv. TDPK Review
- v. Market Conduct Guidelines
- vi. Excise Duty (Robin Hood Tax)
- vii. Income Tax Act Review
- viii. Memorandum for Budget Changes
- ix. Breakfast Meeting on Infrastructure Bonds (World Bank)
- x. Breakfast Meeting on Low Cost Housing (PS)
- xi. Subscription fee

The PPAD Act 2015 litigation

The unfavorable ruling which argued that since RBA, which is a government entity, regulates Schemes it makes them public entities as well has been appealed.

Simba & Simba advocates are pursuing with the Court of Appeal to obtain a hearing date for the appeal

This was delayed by election petitions

Umbrella Scheme Regulations

The matter was taken to Court

ARBS offered to midwife the arbitration process

ARBS was not in the suit nor appeared as interested parties

Consultations are ongoing between ARBS, RBA Treasury and appellant

The case is ongoing and has a mention date in Oct

We are actively monitoring developments in both of these matters

National Retirement Benefits Policy

This is a project of the National Treasury.

RBA acts as Secretariat for this project.

ARBS Council played a very active role in the development of this Policy.

The document was exposed for comments and the deadline expired. It is now at National Treasury

Review of TDPK

- ❖ The original curriculum was developed by College of Insurance, RBA, ARBS and Humber College of Canada.
- ❖ The program was launched 2011
- ❖ The law requires all Trustees to be certified
- ❖ The curriculum currently in use is out of date
- ❖ ARBS together with the partners did a curriculum review on 2018
- ❖ We are awaiting approval by from CEDAK
- ❖ Meanwhile the arrangements are being made to rewrite training material and train trainers.

Market Conduct Guidelines

- RBA Market Conduct division has been developing Guide to Good Governance (GGG)
- ARBS was involved in the drafting of the same
- Some of our members gave their input
- We urge all members to get a copy from our website or RBA to familiarize themselves
- We had planned for RBA to brief our members today but due to an avoidable circumstances they were unable
- They will be holding stakeholders meetings and you will be invited

Robin Hood Tax

The current issue

Section 31 of the Finance Bill 2018 proposes to introduce an excise duty of 0.05% on all money transfers by banks and other financial service providers, applicable to money transfers of Kenya Shillings 500,000 or more.

Retirement benefits schemes are originators or recipients of interbank transfers in respect of

- 1. contributions remitted*
- 2. Investment placement*
- 3. Investment income received*
- 4. Retirement benefits disbursed*

“amounting to many billions of Kenya Shilling”

ARBS made a presentation to Parliamentary Committee on Finance and National Planning. We are optimistic on the outcome

Review of the Income Tax Act

- ARBS learned through the print media that the Income Tax Act was under review
- We put together a memorandum and submitted to KRA and the National Treasury
- We have never received any feedback
- We requested RBA to call for a workshop last year
- However last week we had the workshop and most of you attended
- It was resolved that we appoint 2 people in the Task force set up
- ARBS will be represented by Antony Kilavi and Roger Urion
- We will keep members posted

Budget Changes

- ARBS has annually been preparing a Memo on items we would like to see incorporated in the Budget.
- All along we have not received much as witnessed in the last CS speech
- That is how we came to request workshop with KRA so that they may understand industry concerns
- We have also separated issues that are of administrative in nature and those that require policy changes

Breakfast meetings

- Last year was an election year we did not have so many activities
- We held two breakfast meetings
 - Infrastructure Bond facilitated by World Bank
 - Low cost Housing with the PS Ministry of Transport Infrastructure and Housing

Association Activities

Strategic Plan Implementation

The Implementation Plan is in place and the various activities outlined in the plan are being undertaken.

The Council Committees have adopted a log and tracker to ensure all the Strategic Objectives are met.

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Association Activities

Growth of Membership

Increase presence in the Industry

Collaboration with other professional bodies

Annual Retirement Benefits Conference

Administrators Development Program curriculum

Expansion of Training

Increasing our Revenue base



Wilson Ngugi **TREASURER'S REPORT**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST
DECEMBER 2017**

	Notes	2017 KShs	2016 KShs
Gross income on TDPK	2	6,217,500.00	9,361,267.00
Subscription fees	3	997,500.00	771,250.00
Other incomes	4	575,106.00	1,394,923.00
		<u>7,790,106.00</u>	<u>11,527,440.00</u>
Less expenses:			
Administration expenses	7	1,992,239.00	1,284,395.00
Members functions hotel expenses		737,520.00	730,001.00
Legal fees	15	-	884,700.00
TDPK Expenses	17	4,145,000.00	7,070,135.00
Finance expenses	8	61,802.00	55,607.00
		<u>6,936,561.00</u>	<u>10,024,838.00</u>
Surplus comprehensive income for the year		853,545.00	1,502,602.00
Tax charge for the year	13	(728,881.80)	(794,695.50)
Surplus transferred to the general reserve account		<u>124,663.20</u>	<u>707,906.50</u>

Auditor's Report - page 5 - 6.

The notes on pages 10 -13 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2016

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2017

RESERVES	Notes	2017 KShs	2016 KShs
General Reserve	14	<u>5,953,682</u>	<u>5,829,019</u>
Total reserves		<u>5,953,682</u>	<u>5,829,019</u>
ASSETS			
Investments			
Fixed deposit	9	<u>4,739,466</u>	<u>3,881,022</u>
Current assets	10	5,485,892	8,111,846
Current liabilities	11	<u>(4,271,676)</u>	<u>(6,163,849)</u>
Net Current assets		<u>1,214,216</u>	<u>1,947,997</u>
Total assets		<u>5,953,682</u>	<u>5,829,019</u>

**STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31ST DECEMBER 2017**

CASH FLOW FROM OPERATING ACTIVITIES	Notes	2017 KShs	2016 KShs
Net surplus for the year		853,545	1,502,602
Tax paid in the year		(1,521,583)	(921,686)
		<u>(668,038)</u>	<u>580,916</u>
Changes in working capital:			
Decrease / (Increase) in receivables		3,356,925	(5,644,337)
(Decrease) / Increase in payables		(1,561,313)	4,047,290
Net cash flow from / (used in) operating activities		<u>1,127,574</u>	<u>(1,016,131)</u>
Net changes in cash and cash equivalent		1,127,574	(1,016,131)
Cash and cash equivalents as at 1st January		<u>3,824,145</u>	<u>4,840,276</u>
Cash and cash equivalents as at 31st December	10	<u>4,951,719</u>	<u>3,824,145</u>

Auditor's Report - page 5 - 6.

The notes on pages 10 -13 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	2017	2016
2. TRUSTEE DEVELOPMENT PROGRAM KENYA (TDPK)	KShs	KShs
Gross receipts	<u>6,217,500</u>	<u>9,361,267</u>
This is income from the TDPK program that is administered by the College of Insurance.		
3. MEMBER SUBSCRIPTIONS		
Gross subscription fees { note 1(b) }	<u>997,500</u>	<u>771,250</u>
This represents subscriptions paid in the year.		
4. OTHER INCOMES		
Member pledges on PPDA case {Note 15}	-	848,400
Gross income on members' functions { note 5 }	218,000	277,000
Interest income { note 6 }	<u>357,106</u>	<u>269,523</u>
	<u>575,106</u>	<u>1,394,923</u>
5. MEMBERS' FUNCTIONS		
Gross income on members' functions	<u>218,000</u>	<u>277,000</u>
This represents amounts received from members for functions held in the year.		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017 (CONTINUED)**

	2017	2016
6. INTEREST INCOME		
Interest income	357,106	269,523
This represents interest earned on the fixed deposit.		
7. ADMINISTRATION EXPENSES		
Audit fees	40,000	40,000
Postage and email charges	21,910	20,560
Secretariat fees	1,241,200	556,800
Professional fees	11,000	70,760
Registration fees	-	121,000
Advertising and Publication	512,664	471,975
Council allowances	77,500	-
General office expenses	87,965	3,300
	<u>1,992,239</u>	<u>1,284,395</u>
8. FINANCE EXPENSES		
Bank charges	61,802	55,607
9. INVESTMENTS		
CFR Stanbic - Fixed deposit A/c	4,739,466	3,881,022

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017 (CONTINUED)**

	2017	2016
	KShs	KShs
10. CURRENT ASSETS		
Tax recoverable { Note 13 }	586,124	-
TDPK receivables - College of Insurance	4,303,715	7,438,440
Other receivables { Note 15 }	383,800	606,000
Petty cash { Note 12 }	162,890	67,095
CFC Stanbic { Note 12 }	49,363	311
	5,485,892	8,111,846
11. CURRENT LIABILITIES		
Tax payable { Note 13 }	-	206,577
Accounts payable	607,700	-
Audit fees	40,000	40,000
Withholding tax payable	-	2,000
Due to Kingsland Court Benefits Services	3,473,976	5,790,989
Litigation deposit { Note 16}	150,000	-
CFC Stanbic { Bank overdraft }	-	124,283
	4,271,676	6,163,849

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017 (CONTINUED)**

	2017	2016
12. CASH AND CASH EQUIVALENTS		
CFC Stanbic	49,363	311
Petty cash	162,890	67,095
	<u>212,253</u>	<u>67,406</u>
For purposes of statement of cash flow, cash and cash equivalents comprise :		
Fixed deposits	4,739,466	3,881,022
Bank overdraft	-	(124,283)
Cash in hand and at bank	212,253	67,406
	<u>4,951,719</u>	<u>3,824,145</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 (CONTINUED)

13. TAXATION

STATEMENT OF FINANCIAL POSITION

Balance brought forward	(206,577)	(333,567)
Charge for the year	(728,882)	(768,197)
Penalty for the year	-	(26,499)
Withholding tax certificates received in the year	469,360	221,195
Tax paid in the year	1,052,223	700,491
Taxation recoverable / (payable)	<u>586,124</u>	<u>(206,577)</u>

STATEMENT OF COMPREHENSIVE INCOME

TDPK income & interest received in the year	<u>6,574,606</u>	<u>9,630,790</u>
Tax at applicable rate of 30%	1,972,382	2,889,237
Tax effect of items deducted or non-tax deductible	<u>(1,243,500)</u>	<u>(2,121,041)</u>
Charge to statement of comprehensive income	<u>728,882</u>	<u>768,197</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2017 (CONTINUED)

	2017	2016
	KShs	KShs
14. GENERAL RESERVE ACCOUNT		
At 1st January	5,829,019	5,121,113
Surplus for the year	<u>124,663</u>	<u>707,907</u>
At 31st December	<u>5,953,682</u>	<u>5,829,019</u>
15. OTHER DEBTORS		
Member pledges towards litigation fees	606,000	848,400
Payment by members	<u>(222,200)</u>	<u>(242,400)</u>
Amount due from members	<u>383,800</u>	<u>606,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 (CONTINUED)

The members in a meeting passed a resolution on 12 April 2016 to fund the litigation for the removal of pension schemes as public entities in the provisions of the Public Procurement and Asset Disposal Act, 2015 (PPDA). The amount due from members represents pledges that were outstanding at the end of the financial year.

16. LITIGATION DEPOSIT

These are monies that have been paid by members for the appeal of the PPDA case.

17. TDPK Expenses

These are expenses incurred for materials, advertising and support personnel.

AUDITOR'S REPORT

We have audited the financial statements of Association of Retirement Benefits Schemes, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial affairs of the Association as at 31 December 2017 and of its surplus and cash flows for the year then ended and comply with International Financial Reporting Standards and the requirements of the Association's Constitution.



EXECUTIVE SECRETARIAT REPORT

Roger Urion

Role of Executive Secretariat

The Executive Secretariat is charged with the following main responsibilities

- Supporting the Council and Committees in the discharge of their duties
- Managing the administrative and accounting functions of the Association
- Executing the policies delegated to it by Council and Committees
- Growing the membership of the Association
- Co-ordinating meetings of the Association, including consultative meetings with regulators etc

Role of Executive Secretariat cont'd

- Co-ordinating delivery of services to Members
- Co-ordinating delivery of TDPK and reporting to RBA
- Liaising with other professional bodies
- Ensuring member communications are handled promptly
- Arranging functions on behalf of Council

Activities in FY 2016/17

Maintenance of TDPK

- Under the terms of an MoU between RBA, Col and ARBS, which is in the final stages of revision, ARBS is responsible for:
 - Jointly with Col ensuring optimum day to day operation and delivery of TDPK and reporting thereon to RBA
 - Promoting TDPK
 - Managing periodical reviews of TDPK
- There is continuing demand for TDPK in other EA States, particularly Uganda.

Activities in FY 2016/17

Other Member Services

- Expansion of membership and increased visibility/activities open to members (workshops, breakfasts etc)
- Increased engagement through Member Workshops on key topics incl. Private Equity and Investment.

Activities in FY 2017/18

Regulator Engagements

- RBA Quarterly meeting to escalate key industry issues like Market Conduct Guidelines
- KRA Engagement on budget proposals as well as Income Tax Exemption Certificates (process delays)
- CMA – participating in the Steering Code Committee, recommendations affect the retirement industry (asset owners)
- IRA – discussion on penalties imposed and annuity terms available

Other Industry Players

- Focused engagement with service providers incl. breakfast meetings to explore key issues affecting industry

Key Budget Changes 2018

- Penalty of Kshs 100,000 for failure to submit any statutory return by due date plus Kshs 1,000 for each day late
- Trustees need to comply with guidelines/practice notes issued by RBA
- Trustee remuneration to be approved by members at AGMs every 3 years
- Gazetting of Retirement Benefits (Umbrella Retirement Benefits Schemes) Regulations, 2017
- Corporate trustee may not appoint administrator who is a related party
- Reduction in number of mandatory trustee meetings
- Changes to other statutes positively impacting sector
- Harmonising pension tax rates with individual tax rates
- Changes contained in Special Issue Kenya Gazette Supplement No 48 under Legal Notices 49, 50 and 55 and in the Finance Bill 2017

2018 – Update on TDPK

As at 30 June 2018

- A total of 196 classes have been successfully conducted since inception of TDPK with individuals having been trained.

Update in 2018

- The total no. of trustees trained from august 2011 to date are 5,188
- 234 Trustees have been trained in 2018

THANK YOU

Contact us at:

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