



# **SUPERVISION OF GOVERNANCE OF PENSION ARRANGEMENTS IN KENYA**

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Chief Executive Officer  
Retirement Benefits Authority**

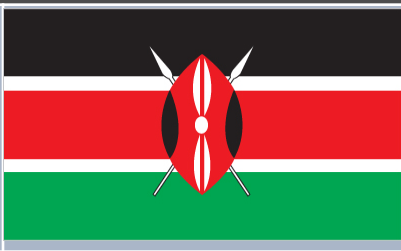

*March 7, 2019  
IOPS, INDIA*

## AGENDA

- ❖ **ABOUT KENYA**
- ❖ **KENYA RETIREMENT BENEFITS STRUCTURE**
- ❖ **SUMMARY INDUSTRY GROWTH AND TRENDS**
- ❖ **RBA KENYA GOVERNANCE SUPERVISION**
- ❖ **RESIDUAL GOVERNANCE CHALLENGES**

## About Kenya



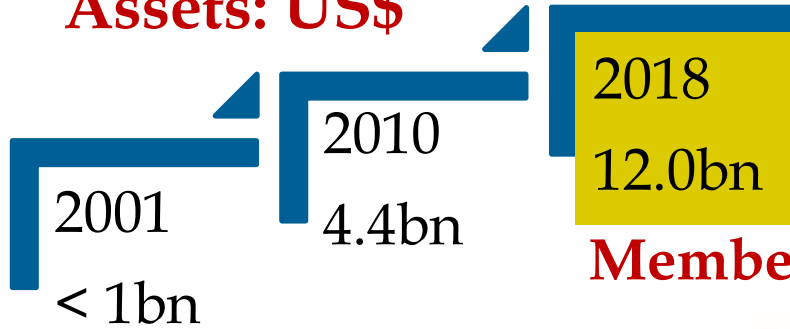
		
Size (Km <sup>2</sup> )	580,367	3,287,000
Population (m)	48	1,300
GDP (US\$ BN PPP)	175	10,401
Economy		
Agriculture	35.3	18.1
Industry	17.2	26.3
Services	47.9	55.6

## KENYA RETIREMENT BENEFITS STRUCTURE

	Social Pension	NSSF	Civil Service RBS	Occupational /Umbrella Schemes	Individual Schemes
<b>Pillars</b>	Zero, NC	One, C	Two, NC	Two, C	Two, C
<b>Legal Structure</b>	Act of Parliament Benevolent	Act of Parliament Mandatory	Act of Parliament Mandatory	Trust Deed; some Public Sector Statute	Trust Deed
<b>Member -ship</b>	Over 65 years, Means tested	Formal/ informal sector	Civil servants, teachers, armed forces, etc.	Formal sector Voluntary, employers based	Individuals formal & informal sector voluntary
<b>Funding</b>	Exchequer	Funded DC Provident; 2013 Pension	PAYGO DB; Some partially funded	Funded DB & DC, Pension & Provident	Funded DC Pension & Provident
<b>RBA Regn</b>	Exempt	Yes	Exempt	Yes	Yes

## SUMMARY INDUSTRY GROWTH AND TRENDS

### Assets: US\$



**Members: 3.0 Million**



### Registered Service Providers



**Schemes: 1,277**



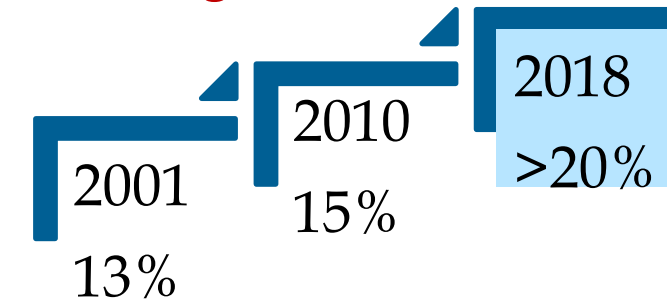
**Trustees:**

**Over 6000**

DC - Min 4; Max 9

DB - 3 to 9

**Coverage: % Labour Force**



## RBA KENYA GOVERNANCE SUPERVISION I

❑ **RBA approach to governance supervision is through Market Conduct Regulation**

❑ **Before July 2016:**

Market conduct regulation, was not emphasized in supervision of the Industry; key provisions/activities were

- ❖ Consumer education – mainly regulator driven – need to encourage/compel industry to offer
- ❖ Dispute resolution – Focus on regulator not industry
- ❖ Governance - some requirements in the law; However these were not clearly guided by the Authority

## RBA KENYA GOVERNANCE SUPERVISION II

### ❑ From July 2016

- ❖ Set up the Market Conduct regulatory structure
- ❖ Ensuring the registration, and availability, of information about schemes and service providers
- ❖ Cascading Service Provider involvement in ensuring Industry governance, consumer education and consumer protection
- ❖ Adopting IOPS High Level Principles to guide the development of Industry Guidelines on governance, consumer education and consumer protection



## RBA KENYA GOVERNANCE SUPERVISION III

### ❑ HLP 2: Role of Oversight Bodies

- ❖ Ensuring the registration, and availability, of information about schemes and service providers
- ❖ Ongoing Risk Based Supervision of the Industry
- ❖ Ongoing Research and reporting to Industry
- ❖ Collaboration and regular meetings with industry Associations and Stakeholders
- ❖ Collaboration with other Financial Sector regulators
- ❖ Collaboration with regulators in the EAC Region to facilitate cross border supervision of retirement benefits schemes.



## RBA KENYA GOVERNANCE SUPERVISION II

### ❑ HLP 4: Disclosure and Transparency

- ❖ Supervised through enforcement of existing laws and regulations
- ❖ Guideline on Good Governance became law in Dec 2018 –implementation ongoing;
  - gives guidance on compositions and governance of Board of Trustees
  - clarifies member representation and information
  - guides on relationship between Trustees & Serv. Providers
  - stipulates new reporting requirements

## RBA KENYA GOVERNANCE SUPERVISION IV

### ❑ HLP 5: Financial Education and Awareness

- ❖ Promoting consumer education in RB Industry through own training and that by sector players
- ❖ Awareness creation to potential members and employers
- ❖ Collaborates with other Government Agencies to entrench financial education in school curriculum
- ❖ Collaborates with other East African countries in advocating for financial education
- ❖ Uses its website & portals for digital information

## RBA KENYA GOVERNANCE SUPERVISION V

### ❑ **HLP 6: Responsible Business Conduct of Financial Services Providers and Authorised Agents;**

- ❖ Partly supervised through the Good Governance Guideline
- ❖ Treating Customers Fairly (TCF) Guideline – about to be gazetted to guide the Industry on
  - customer care before during and at maturity or termination of contract
  - product and services – including banning of products and services
  - member access to information at all stages
- ❖ New Guidelines development under way

## RBA KENYA GOVERNANCE SUPERVISION VI

### ❑ HLP 9: Complaints Handling and Redress.

- ❖ Treating Customers Fairly (TCF) Guideline – about to be gazetted to guide the Industry on
  - complaints management in the Industry – exceptional cases escalated to RBA
  - complaints reporting to, and resolution by, RBA – this includes the use of recently launched complaints and whistle blowing portals
- ❖ Collaboration with other agencies e.g. Complaints Referral Partners Network (CRPN)
- ❖ Maintaining complaints database & Reporting

## FURTHER ONGOING SUPERVISORY ACTIONS

- ❑ Enhance monitoring and assessment of impact of FinTech innovations and the digitalisation of services in the Industry – ongoing guidance to the Industry
- ❑ Partnering with the Industry on training of Trustees; review of current curriculum and continued professional development of Trustees
- ❑ Training of all Service Providers – starting with Administrators then other SP

## FURTHER GOVERNANCE SUPERVISION DEVELOPMENTS

- ❑ Guideline on Trustee expenses and service provider fees\* - current law requires approval by members and reporting; supervision to be tightened with clarity in Guideline
- ❑ Guideline on enhanced vetting of trustees and service providers\*\* - currently supervised under the existing laws; clarification to the Industry required
- ❑ Guideline on risk management for schemes and service providers\*\* – currently supervised on a risk based approach; further guidance and templates to be issued

*\*Industry Guideline under development*

*\*\*Proposed Industry Guideline*

## CHALLENGES IN GOVERNANCE SUPERVISION

- ❑ Slow drafting of laws and guidelines owing to constitutional requirements
- ❑ Resistance to change – fear of overregulation
- ❑ Rapid Industry changes – players sometimes ahead of regulator
- ❑ Rapid ICT changes
- ❑ Capacity and Resource constraints



# Thank You

[www.rba.go.ke](http://www.rba.go.ke)