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

<table>
<thead>
<tr>
<th></th>
<th>Kenya</th>
<th>Other Country</th>
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<tbody>
<tr>
<td>Size (Km²)</td>
<td>580,367</td>
<td>3,287,000</td>
</tr>
<tr>
<td>Population (m)</td>
<td>48</td>
<td>1,300</td>
</tr>
<tr>
<td>GDP (US$ BN PPP)</td>
<td>175</td>
<td>10,401</td>
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<tr>
<td><strong>Economy</strong></td>
<td></td>
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<tr>
<td>Agriculture</td>
<td>35.3</td>
<td>18.1</td>
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<tr>
<td>Industry</td>
<td>17.2</td>
<td>26.3</td>
</tr>
<tr>
<td>Services</td>
<td>47.9</td>
<td>55.6</td>
</tr>
<tr>
<td>Pillars</td>
<td>Social Pension</td>
<td>NSSF</td>
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<td>Zero, NC</td>
<td>One, C</td>
<td>Two, NC</td>
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<tbody>
<tr>
<td>Member-ship</td>
<td>Over 65 years, Means tested</td>
<td>Formal/informal sector</td>
<td>Civil servants, teachers, armed forces, etc.</td>
<td>Formal sector Voluntary, employers based</td>
<td>Individuals formal &amp; informal sector voluntary</td>
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<tr>
<th>Funding</th>
<th>Exchequer</th>
<th>Funded DC Provident; 2013 Pension</th>
<th>PAYGO DB; Some partially funded</th>
<th>Funded DB &amp; DC, Pension &amp; Provident</th>
<th>Funded DC Pension &amp; Provident</th>
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</thead>
<tbody>
<tr>
<td>RBA Regn</td>
<td>Exempt</td>
<td>Yes</td>
<td>Exempt</td>
<td>Yes</td>
<td>Yes</td>
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</table>
SUMMARY INDUSTRY GROWTH AND TRENDS

Assets: US$

- 2001 < 1bn
- 2010 4.4bn
- 2018 12.0bn

Members: 3.0 Million

Schemes: 1,277

Registered Service Providers

- 2001
  - Managers: 11
  - Custodians: 10
  - Administrators: n.a

- 2018
  - Managers: 24
  - Custodians: 11
  - Administrators: 31

Trustees:
Over 6000
DC – Min 4; Max 9
DB – 3 to 9

Coverage: % Labour Force

- 2001 13%
- 2010 15%
- 2018 >20%
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 no clearly guided by the Authority
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
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.
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
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
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
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