

# 2018 Pension Performance Report

GUARANTEED FUNDS



## Performance Report

Retirement Solutions Insurance Agency has prepared this performance report primarily for the benefit of its clients. The main source of data is Industry Statistics 2018 Quarter 4 Unaudited Report from Insurance Regulatory Authority's website.

## Retirement Benefits Industry in Kenya

Kenya's Retirement Benefits Industry has two major types of players in relation to how Pensions funds are invested. These are Approved Issuers (Insurance Companies) and Fund Managers.

- Insurance Companies offer their customers a Guaranteed Fund solution that preserves capital invested against reduction in addition to a minimum annual return also known as a guaranteed rate. This implies that the capital is protected from investment loss and the investment is assured of growth regardless of investment outcomes.
- Fund Managers offer their customers either a Managed Fund solution or a Segregated Fund solution. Managed Funds refer to pooling together of several clients funds that are invested as a pool and all the clients in the Fund receive the same return. Segregated Funds on the other hand like their name indicate are mainly a corporate client's Pension scheme whose funds are invest separately with each client receiving a different return based on the investment decisions applied. Fund Managers offer no guarantee and the actual return can be positive or negative.

### GUARANTEED FUNDS

Your Pension funds are invested in a Guaranteed Fund managed by a licensed Life Insurance Company hence providing you with a guarantee on invested funds and a minimum return of either 5% (Britam) or 4% (ICEA Lion, Kenindia).

According to Insurance Regulatory Authority's quarterly statistics report (2018 Quarter 4 Unaudited), out of the 25 licensed Life Insurance companies, 17 carried out Pension business in 2018. Out of the 17 players, 5 companies dominated the industry holding 87% of the total savings (Fund Value) and 85% of all new Pension savings (Contributions) in 2018.

The 5 leading Pension providers based on Fund Value are; ICEA Lion Life Assurance Company, Jubilee Insurance Company, Britam Life Assurance Company, Kenindia Assurance and Liberty Life Assurance Company.

The other 12 companies are:

- APA Life
- CIC Life
- General Accident Life
- Kenyan Alliance
- Kenya Orient Life
- Madison Insurance
- UAP Life
- Saham Assurance
- Sanlam Life
- The Monarch Life

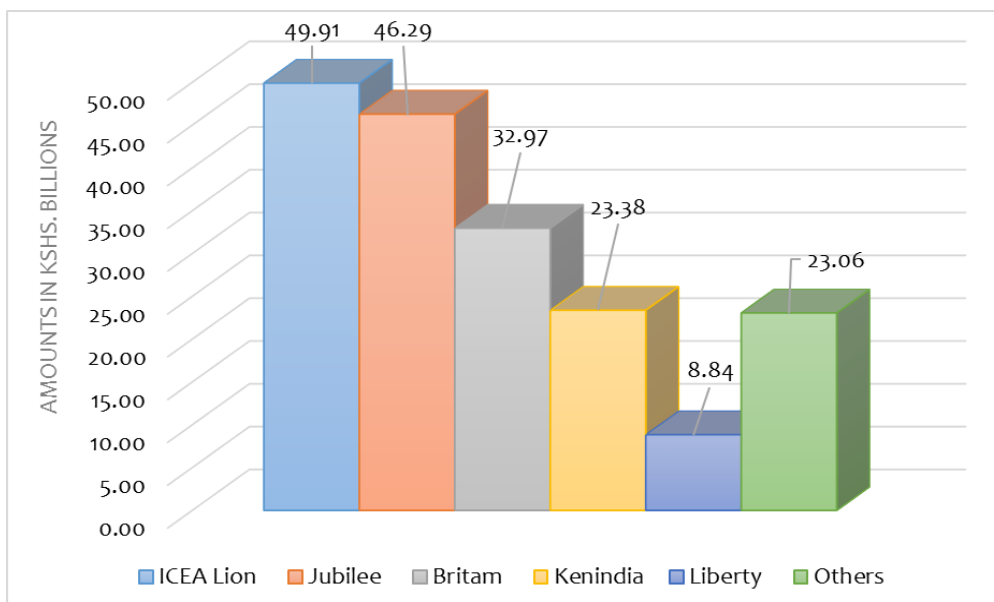
This report will focus on the 5 leading providers of Guaranteed Funds and where applicable the figures are summed up and classified as 'others' to represent the other 12 providers.

## 2018 PERFORMANCE

### FUND VALUE

The industry held a total Fund Value of Kshs. 184.45 Billion as accumulated pension savings. This was an approximately 14% growth over 2017. The Figure below shows the industry's Fund Value and its distribution among the top 5 providers.

Figure 1: Fund Value as distributed among top 5 providers



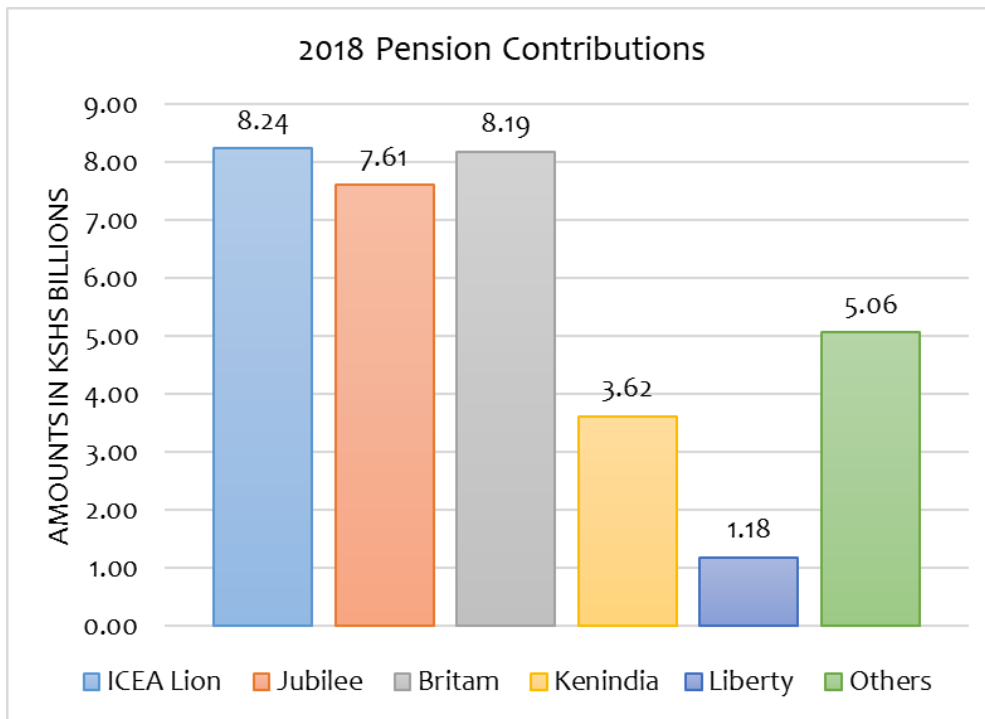
ICEA Lion Life was the largest provider with a fund value of Kshs. 49.91 Billion, followed by Jubilee and Britam. The 12 minor players held a total of Kshs. 23 Billion.

## ANNUAL CONTRIBUTIONS

A total of Kshs. 33.90 Billion was recorded as new contributions by the Industry. This figure includes transfers of Pension savings from one provider to another in the course of the year.

The Figure below shows new contributions received in the industry and distribution among the providers.

Figure 2: Annual contributions and distribution among top 5 providers



ICEA Lion received the largest amount of contributions, Kshs. 8.24Billion, followed by Britam and Jubilee. The 12 minor players received a combined contribution of Kshs. 5Billion.

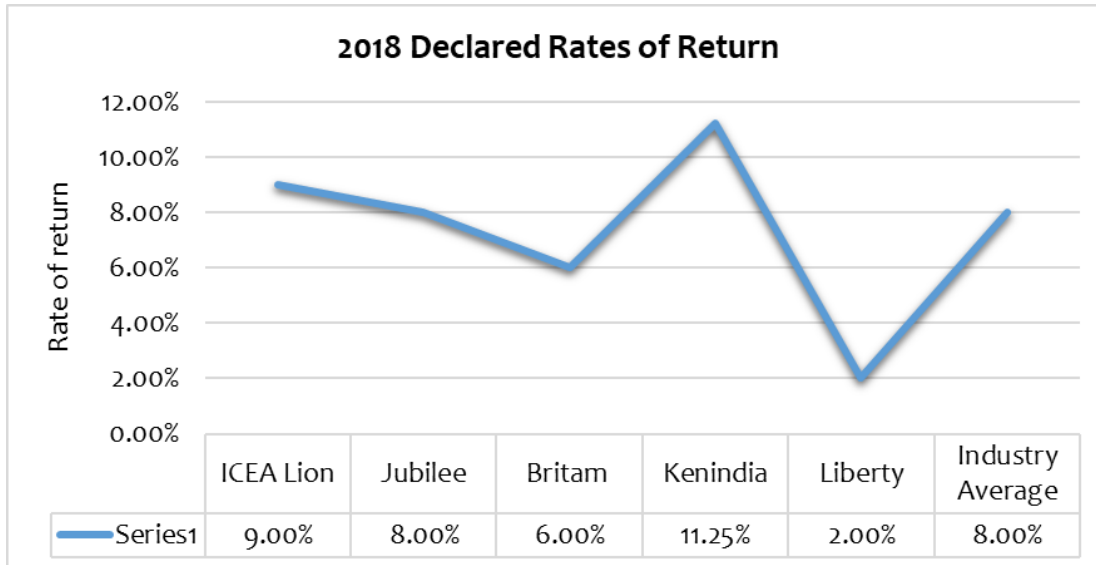
This means that ICEA Lion was the largest provider in 2018 in terms of both accumulated savings and new contributions.

## RATE OF RETURN

Insurance Companies are required to declare their rate of return by 31 March of the following year. This follows preparation of accounts and a Fund evaluation to determine the rate of return. During the year, interest is credited to Pension accounts on a monthly basis using the provisional rate, also known as the guaranteed rate. Once the rate is declared, the

accounts are updated with the full year’s return. The Figure below shows performance of the top five players and the industry average.

Source: Various industry sources

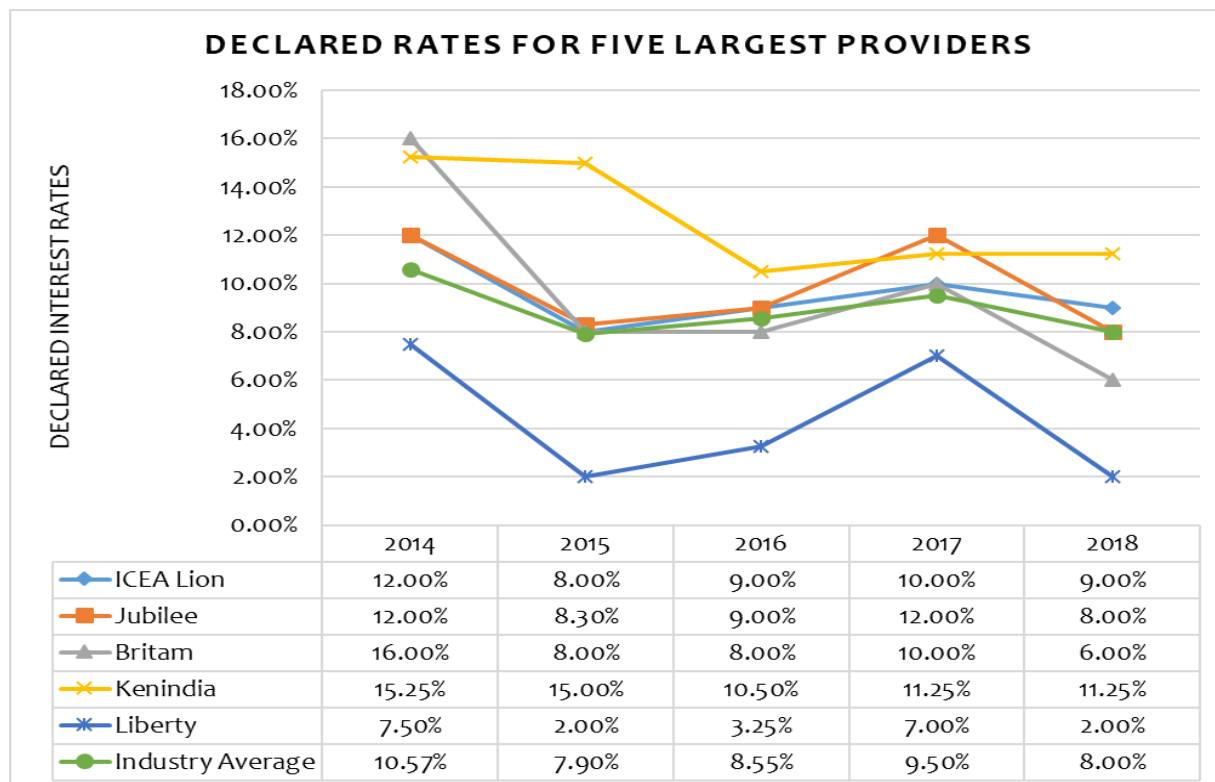


Kenindia Assurance declared the highest rate of return among the top players while Liberty had the lowest performance. The industry average is estimated to be 8%. (To be updated once Association of Kenya Insurers’ data is available).

### PERFORMANCE TREND

Retirement benefits are long-term investments and hence it is important to evaluate performance trends as opposed to a single year’s performance. A 5 year or 10 year trend analysis gives a better picture of a provider’s performance and a comparison with other plays reveal whether its performance is in line with industry performance or not.

The Figure below shows a five-year trend analysis of interest rates declared by the major players as well as the industry average.



From the trend analysis, the returns have been on a downward trend from an industry average of 10.57% in 2014 to 8.00% in 2018. Last year's low performance has been attributed to low performance of the stock market, declining interest rates and low return on property investments for some players.

It is important to note that Retirement Benefits Authority provides investment guidelines that must be followed by all players. These guidelines are meant to protect the interests of the members of the schemes by ensuring safety and growth of savings while maintaining a level of liquidity to ensure member benefits are paid when due.

The guidelines provide maximum limits a Pension provider can invest in a number of select investment classes offering different providers room to have varied investment strategies. For a majority of providers, the main classes of investment used are debt instruments such as treasury bonds and treasury bills, equities, property and money market or near cash investments.

Please note that according to RBA guidelines:

- The Pension year runs from 1<sup>st</sup> January to 31<sup>st</sup> December
- Statements reflecting the previous year's performance should be issued by 30 June of the following year. Statements issued at any other time of the year indicating the year to date position will reflect a provisional rate (guaranteed rate) offered by a provider.
- You can request for a provisional statement at any time of the year by writing directly to your provider.
- Each provider will hold an Annual General Meeting after 30 June where all members of the Individual Schemes will be invited to attend. Please plan to attend to learn more about your investment.
- We encourage you to keep your savings invested until you retire and if possible make regular and/or lump sum contributions to achieve the intended purpose. Guaranteed Fund is one of the best investments you can have, offering you a guarantee on capital invested and compound interest on your savings

## RETIREMENT SOLUTIONS

We thank you for choosing us to be your Retirement Planning partner. We remain committed to serving you as you work towards a financially comfortable life in retirement. In addition to financial planning, we urge you to also consider lifestyle changes that come with retirement and prepare for them as well.

Should you have any questions regarding this report, or any other retirement planning issue please do not hesitate to contact us.

We invite you to visit our website [www.retirementsolutions.co.ke](http://www.retirementsolutions.co.ke) often for articles on retirement planning.

If you know anyone who would benefit from our services please refer them to us.