Kenya Railways Staff Retirement Benefits Scheme

MEMBERS' GENERAL NOTICE

Notice No. 3 of June 2023

This General Notice is one of the channels used to communicate with the members on the activities of the Scheme. This leaflet has been prepared by the Kenya Railways Staff Retirement Benefits Scheme (KRSRBS) to provide information to the Scheme members. This leaflet is not a legal document and only highlights some of the key issues you need to be aware of as a member of KRSRBS.

1.0 Introduction

The KRSRBS was registered in May 2006 by the Retirement Benefits Authority. The Scheme is a Defined Benefits (DB) scheme and is closed in nature. It is currently managed by a Board of Trustees (BOT).

The Scheme Secretariat is mandated with the day-to-day operations of the Scheme affairs reporting to the Board of Trustees. The Secretariat is headed by the Chief Executive Officer.

2.0 Current composition the Board of Trustees

The current Board of Trustee members were appointed in between December 2020 and September 2022. The trusteeship consists of Member elected (3) and Sponsor nominated (6) Trustees as listed below (there is currently one vacancy):

1. Mr. Martin Mogwanja - Chairperson
2. CS. Dennis Aroka - Sponsor Nominated
3. Mr. Philip Mainga - Sponsor Nominated
4. CPA. Jacqueline Mmboga- Sponsor Nominated
5. CHRP. Asava Kadima - Sponsor Nominated
6. Mr. James K. Kanyeki - Member elected
7. Mr Henry W. Toili - Member elected
8. Mr. Elijah O. Mokaya - Member elected

The CEO of the Scheme is CS. Isaac Sila, was appointed in November 2020 and acts as the Scheme Administrator and the Trust Secretary.

3.0 Amendments of the Trust Deed and Rules

The Board of Trustees has made several proposals in terms of amendments on the original Trust Deed and Rules which has not been amended since the inception of the Scheme in 2006. The changes are brought about by changes in Finance Acts passed by Parliament from time to time each financial year; changes in the RBA Act; and the nature of the scheme. The amended TDR will be forwarded to the Sponsor for approval and same will be communicated to members when finalized and approved by the regulator, the Retirement Benefits Authority (RBA).

4.0 Scheme Policy documents

The Board of Trustees has also established and approved several policy documents that will guide the smooth running of the Scheme, based on the Good Governance practices developed by the Regulator from time to time. The following policy documents have been approved by the Trustees.

- Strategic plan for 2022 – 2027
- Member elected Trustees Elections Manual 2021
- Code of Conduct and Ethics for Board of Trustees 2021
- Scheme Governance Manual 2021
- Trustees Remuneration Policy 2023
- Conflict of Interest Manual 2021
- Trustees Board Charter 2021
- Communication and Education Policy 2021
- Scheme Governance Manual 2021
- Information and Communication Technology Policy 2021
- Procurement Policy and Procedures 2021

5.0 Scheme Strategic Plan 2022- 2027

The Board of Trustees has come up with a Strategic Plan for the five-year period, being the 3rd Strategic Plan since inception of the Scheme. The Strategic Plan outlines an ambitious road map on how to grow and sustain funds and embrace technology for efficiency and effectiveness in the running of the Scheme. This Strategic Plan embarks on the following five pillars to achieve the objectives namely,

- Scheme investment and solvency
- Sustainable governance
- Operational efficiency
- Sustainable excellent member customer service
- Compliance and risk management

The implementation of the Strategic Plan will see the Scheme move to more efficient service to its members.

6.0 Actuarial Valuation June 2020

The Scheme conducted its Actuarial Valuation in June 2020 to establish the capability of paying off all members' liabilities when the same matures. Kenbright Actuarial & Financial Services Limited conducted the actuarial valuation and confirmed that the Scheme's assets exceed its actuarial liabilities by 166%, hence capable of paying all the benefits due to members. We expect to conduct the next Actuarial valuation of the Scheme as of 30th June 2023. Actuarial Services EA Ltd will conduct the actuarial valuation.

7.0 Rent Collection mechanisms

The Trustees over the period have developed several policies and strategies to ensure all rent due to the Scheme is collected on time. The Trustees are undertaking oversight on the process of collecting rent in support of the Secretariat to recover all the outstanding rent arrears from all the properties. However, the major challenge remains the pensioners who double as tenants not paying rent to the Scheme and thus influencing other tenants to follow suit. In the process of enforcing rent recovery, several tenants have moved to courts challenging the Scheme's efforts to collect rent.

8.0 Court Cases

The Scheme is facing several court suits initiated by the Tenants challenging evictions, breach of lease agreements and award of contracts inherited from the former Trustees. The Trustees have adapted a transparent system of procuring Lawyers from the prequalified list and establishing fixed legal fees before commencement of the new cases to avoid high legal costs from the Advocates. In view of the above, most of the court cases have been ruled in favour of the Scheme.

9.0 Current status of the scheme Membership

As the Scheme continues to be closed to new members, the average age of the KRSRBS pensioner continues to increase and the membership is dwindling because of natural attrition. It is important to note that the average age of the KRSRBS pensioners as per the September 2022 payroll now stands at 70.1 years.

The current membership of the Scheme as at June 2023 consists of 6692 Active pensioners and 680 deferred members working with the Kenya Railways Corporation.

10.0 Pension increases to active pensioners

The Scheme has not been able to pay accrued pension increase arrears for members amounting to Kes.540 million computed as follows;

- January 2014 to June 2017 at 3% annually
- July 2017 to December 2021 at 5% annually

The Trustees have however implemented the revised pension increase of 5% annually (starting from July 2021) to avoid further accumulation of pension arrears.

11.0 Pension adjustment by Kes. 1,000 in the year 2017

The pensioners were awarded an Adjustment of Kes. 1,000 per month in May 2017 by the Corporate Trustees, subject to availability of funds. The BOT has computed all these sums together with the arrears and are pursuing funds owed by the GOK and private entities to ensure that the pensioners receive their hard-earned increment in the shortest possible time. When funds are available, the priority will be to clear all the arrears to the pensioners before conducting any feasible investments to stabilise the cash flow of the scheme. It is the intention of the current BOT to ensure that pensioners get all their dues from the Scheme and see the minimum pensions being adjusted accordingly, subject to affordability and sustainability.

12.0 Deferred Members benefits increase

The Trustees computed and approved the revision of the deferred Lump Sums that continue to be held in the Scheme funds in line with the actuarial adviser's recommendations as follows:

- Lump sum increases at 8% per annum from January 2007 to the date of retirement of the members.
- Pensions increases 3 % annually from January 2007 to June 2017. Thereafter pensions increased by 5% annually.
- However, due to current cash flow challenges, these increases have not been fully implemented but the BOT has embarked on executing the same as below:
  - All the deferred members who retired from January 2021 onwards will start receiving their new revised pensions from July 2023.. Any member from the deferred side who becomes an active pensioner will be paid with the newly calculated rates on pension and Lump sums.
  - The BOT is working hard to get money to pay the difference in the lump sum reviews on a FIFO basis for those who have already become active members.
  - The BOT is putting plans in place to pay the deferred pensioners who are just awaiting gratuity payment so that we clear their dues
  - Plans are in place to make sure that all members exiting the sponsor's service and joining the Scheme in future will be getting their newly reviewed lump sum and pension within 90 days upon giving the clearance letter from the sponsor.
  - All deferred members can now access their full statements including growth of their pension and lump sums from the Member's Portal in the Scheme website.

13.0 Election of Trustees

The Scheme members successfully participated in an election on 20th September 2022 where they elected three member representatives to the Board of Trustees. The elections were conducted by Imperial Registrars, an independent firm hired by the Scheme. The three elected Trustees are as follows:

- James Kariuki Kanyeki
- Henry Wamukota Toili
- Elijah Ogoti Mokaya

14.0 Members Census and head count

The Scheme conducted a comprehensive physical headcount of all the existing members who are in the pension payroll. This is a compliance issue and the last time the census was conducted was in April 2017. This exercise is, as per RBA Good Governance guidelines, conducted by the BOT every three years. The following numbers of pensioners remain suspended for three censuses for non-appearance before the Scheme's verification staff since inception in 2006.

- 2010 - 349 pensioners
- 2017 - 437 pensioners
- 2023 - 741 pensioners

The Scheme is in the process of tracing the personal files of all the suspended pensioners in order to obtain their last known addresses, mobile numbers or details of the National Identity cards. The above details with the help of the local administration on the ground will assist to trace the suspended pensioners. This exercise will go a long way to clean up the pensioners' data and ensure that only pensioners who are in the Scheme database and are alive receive their pension.

15.0 Upgrading of the ERP System

The BOT has upgraded the current system, which has been in place since 2008, and the following modules have been implemented:

- Benefits Module
- Investments (Estates)
- Accounts
- Case Management Module
- Members' Portal

The overall benefits for the system upgrade are:

- Reduce pension processing fees through payment on MPESA platforms to members who opt for it.
- Instant receipt of pension and information from the comfort of your homes
- Savings on bank charges and withdrawals
- Access pension statements without coming to the Scheme offices saving bus fare and time.
- Tenants will be able to access their rent accounts and get statements.
- Tenants can also pay rent through the comfort of their homes.
- There will be automatic reconciliation of transactions therefore no need to visit the scheme after effecting payments.

A brochure on how to access your information as a member is already available on the Scheme website and will be circulated to pensioners.
A quick summary on how to access your Member's Services portal for the first time is outlined below:

1. Access the website on www.krsrbs.co.ke
2. Click on the Member's Portal Tab on the Home page.
3. For the first time users, click the Sign Up Tab and register your account. For registered users, just select Sign In and give your credentials to access the portal
4. In the next Window, click on Select and select the type of membership that defines you.
5. Enter your phone Number and email account name.
6. A secret code will be sent to your phone number that will allow you to access the portal.
7. Enter the code and you will then have full access to all the Member Services.
8. Navigate through all the tabs and see how you can access your statements, reports, Bio data, etc.

16.0 Cash flow stabilization

The scheme still faces cash flow issues because the total monthly collections from rent is about Kes. 33million while the monthly expenditure is approximately Kes. 79 million, giving a deficit of about Kes. 45 million every month. The GOK owes the scheme about Kes. 5.1 billion, while private debtors owe about Kes. 700 million. The Scheme is making every effort to obtain payment from the GOK but the GOK has severe budget constraints. The BOT plans to make investments through the fund manager after first clearing all the debts due to pensioners so that the interest and income generated by the investments can fill the gap of the monthly deficit to enable the Scheme to pay the pensions in full and on time.

17.0 Participation in GOK affordable housing program to attain the liquidity mix

The GOK has identified some of Scheme properties for the affordable housing project initiated by the Government through the State Department for Housing. Makongeni Estate, which measures 139.5 acres, has been earmarked for the project. The BOT in conjunction with the State Department for Housing and other GOK arms has planned for the subdivision of Makongeni into 10 residential districts, for development by different competing developers.
The Scheme proposes to sell over time the residential districts to private developers at the prevailing market rates. The Scheme intends to retain control of the areas of the Estate offering social amenities such as schools, Social Hall, religious buildings, sports fields, etc.

These facilities will continue bringing rental income to the Scheme even after the residential developments are completed. The Scheme will also retain control of the Master Plan of the estate as the original landlord.
The BOT has negotiated with the State Department for Housing and all individual developers, and all pensioners who are interested in purchasing a residential or commercial property in Makongeni will have the first priority in both the affordable housing and market priced housing units on the terms established by the developers.
There will be no special discounts, but only preferential treatment in early application for the pensioners who are members of the scheme. The BOT has faced challenges in moving this proposal to reality due to among other reasons resistance from the tenants; legal objections from some pensioners and some residents; and the financial constraints of the developers, which has delayed the execution of the project.

The Trustees are appealing for pensioners to be patient as this project will be very beneficial to the pensioners in terms of establishing a fund of liquid assets from the realisation of the property, and of the pensioners getting the opportunity to purchase an affordable house in the estate on the terms that to be agreed upon with the developers.

18.0 Railway City Project

The Central Government has launched the Railway City Project within the CBD in the capital City of Nairobi to improve traffic congestion and movement of people and goods. The planned project area will include the following properties belonging to pensioners:

- East Wing and Block D of KRC HQs

- Goods Shed area
- Muthurwa estate
- Landmawe estate

The Trustees will ensure that the various private developers of the above Scheme properties will fully compensate the pensioners at the prevailing market rates before any development takes place.

19.0 Scheme properties and Inconsistency in properties transferred by the sponsor

The BOT has confirmed that a number of properties that were transferred from the sponsor vide gazette Notice No. **169 of 2006** had encroachments, mismatching acreages and some had already been sold to third parties.

The Trustees are confident that the sponsor will be able to compensate the scheme for all the properties that had issues or were inconsistent with what is stated in the legal Notice. The BOT is also aggressively pursuing the Sponsor to ensure that all properties whose titles are still under the Sponsor's name are transferred to the scheme as per the vesting orders. This will ensure that the scheme has full ownership of the vested properties and future transactions are flawless.

21.0 Members' awareness

The BOT has organised tour of the key regions in the month of July 2023, dividing themselves across the regions to save on the costs of implementation of this mandatory exercise. This exercise will be used to capture issues raised by members before the hosting of the 9th Annual General Meeting.

20.0 Annual General Meeting

The BOT has planned to hold its 9th Annual General meeting as is required by law in the month of July 2023. This is an exercise that is held every year and the BOT uses this platform to share the progress of the scheme with the stakeholders in the presence of the regulator and service providers.

CONTACTS

ALL ENQUIRIES SHOULD BE DIRECTED TO THE SCHEME'S OFFICES SITUATED AT WORKSHOP ROAD, NAIROBI.

ATTENTION OF:

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REF: BNFT/COMM/3/2023
Date: June 20 2023