

Kenya Railways Staff Retirement Benefits Scheme

MEMBERS' GENERAL NOTICE

Notice No. 1 of July 2024

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 main purpose of the Scheme is the provision of pension and other retirement benefits for the former employees of the Sponsor upon their retirement from Kenya Railways Corporation services and relief for the dependants of the deceased employees.

2.0 Current composition the Board of Trustees

The Board of Trustees in 2024/2025 consisted of 6 Trustees nominated by the Sponsor (one seat is vacant) and 3 Trustees elected by members, The Sponsor is requested to nominate one Trustee for the vacant position as per the Trust Deed and Rules governing the Scheme. The following are the current members of the Board of Trustees,

1. Mr. Martin Mogwanja -Sponsor Nominated (Chairman)
2. Mr. Philip Mainga -Sponsor Nominated
3. CPA. Jacqueline M'Mboga -Sponsor Nominated
4. CHRP. Asava Kadima -Sponsor Nominated

5. Ms. Nancy Sang - Sponsor Nominated
6. Mr. James K. Kanyeki -Member elected
7. Mr. Elijah O. Mokaya -Member elected.
8. Mr. Maurice Ombogo - Members elected

The Scheme is managed by a Management Team led by the Chief Executive Officer, CS Isaac Sila who is also the Trust Secretary of the Board of Trustees.

3.0 Special General Meeting

The Trustees would like to congratulate and report the election of Trustee Maurice Ombogo on February 27th 2024 through Special General Meeting as a Member representative to the Board of Trustees.

Members are also notified that, for future elections of member elected Trustees, only one dependant will be allowed to vote in a case where a late principal member had more than one wife.

4.0 Service Providers

The following are the Scheme service providers: -

- a) M/s Coop Trust Investment Services Limited as the Fund Manager for the Scheme;
- b) M/s. Kenya Commercial Bank Limited as the Scheme Custodian; and
- c) M/s Ronald's LLP as the Scheme Auditors.

5.0 Amendments of the Trust Deed and Rules

The Trustees in consultation with a pension expert have reviewed and proposed some amendments to the Trust Deed and Rules and same forwarded to the Sponsor for rectification.

The Sponsor had requested the Trustees to provide details of the clauses and Rules so far amended with legal justifications to the relevant changes.

The Trustees has provided the requested matrix to the sponsor for consideration.

Some of the principal changes in the TDR proposed by the Board of Trustees are as outlined below:

- A. To provide pension medical premium for the principal pensioners once scheme liquidity improves.
- B. To provide an additional pension benefit for Last Expenses grant to the immediate family of the principal pensioners upon passing away.
- C. To adjust the minimum pension to the level of Kes. 10,000 per month for the affected members of the Scheme depending on the availability of funds.

The Board of Trustees already has the discretionary powers to provide pension increments, or to establish a minimum pension level, subject to the availability of funds.

6.0 Actuarial Valuation June 2023

The Scheme has conducted an Actuarial Valuation for the financial period ending 30th June 2023 to establish the capability of the Scheme to pay all members' pension benefits when they are due, up to the last surviving pensioner.

The Actuarial Services (E.A.) Limited conducted the actuarial valuation for the last 3 years, including projecting the Scheme's ability to pay all benefits due to all members.

The key results of the actuarial valuation are as follows:

- Total projected pension benefits due to Scheme members- 17.35 Billion
- Assets available (after making a 20% set-aside)- 29.4 Billion
- Surplus of assets over projected pension payments - 12.06 Billion

- Funding level of the Scheme – the ratio of assets to projected pension costs - 169.5 %
- Minimum Funding level required by Retirement Benefits Authority - 100%

The importance of the high Funding level of the Scheme (169.5%) is that it confirms that there is the financial capacity (in terms of property assets) to expand and extend the benefits of the Scheme. The Board of Trustees has formulated specific proposals to achieve the above proposals on members benefits guided by the actuarial valuation. The Actuarial report is now available on the Scheme website for members' information.

7.0 Rent Collections

During the financial period ending June 30th 2024, the Scheme collected a total of Kes.538.6 million. The scheme has taken measures on the rent collections which include forming a task force to enhance rent arrears collection in the various estates. This has shown tremendous improvement on monthly rent collections especially in problematic estates, i.e. Landimawe and Makongeni. We have gone to court to seek court orders for eviction of tenants who have failed to honor their obligations on rent payment especially in Muthurwa Estate. The evictions will be conducted immediately the Court orders are granted by the court. The court is expected to deliver a ruling on the eviction of illegal tenants in Muthurwa on December 5th 2024.

8.0 The scheme membership as at 30th June 2024

The Scheme is closed to new members. The average age of the Scheme pensioner continues to increase,

and membership is dwindling because of natural attrition. It is important to note that the average age of the Scheme pensioners stands at 70.4 years. The current membership of the Scheme as at 30th June 2024 consists of the following,

- Active pensioners 6,051
- Active beneficiaries 769
- Deferred members 618
- Suspended members 927
- Total Membership 8,365

The Scheme Management once again appeals to all pensioners to help in tracing the whereabouts of those suspended pensioners who have not completed the Census forms, and assist them to come forward and collect their benefits which are being held for them by the Scheme. The management is planning to conduct the next members census during the month of November 2024.

9.0 Payment of monthly Pension to Members

The Trustees managed to pay members the monthly pension during the financial year ending 30th June 2024 despite slight delays witnessed due to late payment of compensation payments from the National Treasury for compulsory acquisition of Nairobi Railway Club land and low rent collections from the Scheme properties. The source of the income for the Scheme was from rental collections and proceeds from earlier disposals and Nairobi Railway Club funds for compulsory acquisition by the Government.

One of the key areas the Board of Trustees is focused on is the stabilization of the cash flow so that pension payment is stabilized at the 25th of every month.

10.0 Pension Arrears

The Board of Trustees are working hard to ensure that the backdated 3%, 5% and 1000 arrears caused by delayed implementations are paid as soon as funds are made available as per the projected property liquidation. We are hopeful that the pension arrears owed to members will be paid before the end of this financial year.

11.0 Pensioners' Payroll/Census Audit by Ronald's LLP

The Board of Trustees appointed the firm of Ronald's Auditors to carry out an independent verification of the November 2022 census exercise, which was carried out by the Scheme Management.

One of the mandates of the auditors was also to confirm whether the pension payable to members is the correct rate. The Auditors finalized and shared their report and the key area of concern and recommendation were:

- Members' files missed most current members' information, that is, Nominee form, Attachment of current bank details, Bio data form and KRA pin. The scheme will therefore require members to provide the mentioned documentations during this member awareness exercise to obtain the members details.
- The Auditors also recommended that the scheme should come up with a way of confirming members' existence more frequently in order to avoid financial losses as a result of deaths not reported to the Scheme by family members.

12.0 Members' communication

Members awareness sessions are an annual event where by the Trustees share information among the

members and have direct dialogue with the Members on the current affairs of the Scheme.

Communication to members has improved through frequent bulk SMS messages sent to members conveying important Scheme information. Members are also encouraged to interact with the Scheme through the official social media handles (Twitter, Facebook, WhatsApp, and Telegram) which are already available on the Scheme's website. The Trustees are also expected to hold a members Annual General Meeting on October 23rd 2024 for the financial year ending June 30th 2024.

13.0 Deferred members' benefits

All deferred members are currently receiving the correct monthly pension. As per the Board of Trustees resolution to implement the 8% per annum lumpsums/gratuities increases from the year 2007 the Scheme has done the calculation of escalation of the benefits for the period.

The arrears caused by the escalation has not been paid and will be paid as soon as the funds are available. The Board of Trustees priority was to ensure that every pensioner is getting the right pension for all pensionable deferred members. Additionally, Lumpsums and gratuities for the deferred members who retired in 2021 has been paid to members with 8% escalation.

14.0 Upgrading of the Pension Management IT system

The existing system which has been in use since 2008 has been upgraded to a better, more user-friendly system, and the following modules have been implemented:

- Benefits Module;

The module is live and operational, currently used for running payroll and workflow for the benefit users.

- Members Portal;
The Portal is live and members can access their information from statements to personal details. This is done once signing up and login is done using their phone numbers.
- Investments (Estates);
The Module is live, operational and currently in use by the estate department users. We are currently finalizing on integration with banks so that tenants will be able to pay rent from the comfort of their homes and access their rent statements.
- Accounts;
The accounts module is finally on the final stages with operations on receipting and reporting. Once integration is complete, reconciliation of receipts will be seamless and payments can be done straight to bank and through Mpesa.
- Case Management;
This will be the final module to be implemented which will on board all Scheme legal cases. It has been developed awaiting deployment, testing and data upload and go live.

15.0 Scheme Property liquidation Plan

The Trustees have approved disposal plan of some of schemes properties in the next five years to improve the liquidity level and comply with RBA requirement of retaining only 30% of Scheme assets in form of property: The following are various properties earmarked for disposal:

- Makongeni estate

The Central Government through the Ministry of Housing and Urban Development has expressed Interest to purchase Makongeni estate which will be developed for affordable housing project.

- Ngara estate
The Trustees have approved sale of Ngara estate to be sold through open public tender to interested private/ public entities.
- Block D building
To be sold to KRC who has expressed interest on purchase.
- Headquarter Eastern Wing
A portion of the land to be sold to KRC for Railway City Development plan.
- Good Sheds Area
A portion of the land to be sold to KRC for Railway City Development plan.

Other properties still under Railway City Development Master Plan includes, The balance of Railway HQs East Wing, Land Mawe and Muthurwa estates.

16.0 Court Cases

The Trustees have embarked on reducing the number of court cases filed against the Scheme by either tenants or members by way of mediation to settle the matters out of court and also requesting for fixed and competitive quotations from the prequalified law firms in the suppliers register when handling new court cases.

The Trustees are also handling major court taxation bills awarded to the lawyers by the Courts especially Millimo, Muthomi Company Advocates and Akide Company Advocates through negotiations to lower the bills to avoid injunctions on the Scheme activities.



17.0 Questions & Answers from Members raised in the Last AGM and Awareness

A sheet containing questions and responses is attached for easy of reference to members to avoid repetition of the queries.

CONTACTS

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

ATTENTION OF:

**THE CHIEF EXECUTIVE OFFICER,
Kenya Railways Staff Retirement Benefits Scheme,
Workshop Road, Off Haile Selassie Avenue,
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REF: BNFT/COMM/1/2024

Date: July 1 2024

Social Media Handles:

Twitter: [x.com/KRSRBS](https://twitter.com/KRSRBS)

Telegram: t.me/krsrbs

Facebook: Kenya Railways Staff Retirement Scheme

Whatsapp: 0775967749