Kenya Railways Staff Retirement Benefits Scheme

MEMBERS' GENERAL NOTICE

Notice No. 4 of November 2023

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 the Sponsors services and relief for the dependants of the deceased employees.

2.0 Current composition the Board of Trustees

The Board of Trustees in 2022/2023 consisted of the following members:5 Trustees nominated by the Sponsor (one seat was vacant) and 3 Trustees elected by members,

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

Since the start of the new Financial Year for 2023/2024, the Sponsor has nominated Ms Nancy Sang as a Sponsor Nominated Trustee, appointed on 26th October 2023.

The Scheme is managed by a Management Team led by Chief Executive Officer, CS Isaac Sila.

The following are the Scheme service providers: -

a) M/s Coop Bank Trust Investment as the Fund Managers for the Scheme;
b) M/s. Kenya Commercial Bank Limited as the Scheme Custodian; and
c) M/s Ronalds LLP as the Scheme Auditors.

3.0 Amendments of the Trust Deed and Rules

In the last AGM, members were informed that the Trustees had proposed some amendments to the old Trust Deed and Rules which has never been amended since the inception of the Scheme in 2006.

The Board of Trustees have endorsed the amendments to the Trust Deed and Rules, and forwarded the proposed Amended Trust Deed and Rules to the Sponsor and to the Regulator for approval, as earlier promised to the members.

The principal changes in the TDR proposed by your Board of Trustees are to explicitly authorise the Board of Trustees, subject to the availability of funds:

A. To provide for the Scheme to pay from its own resources as an additional pension benefit the premiums for NHIF for the principal pensioners.
B. To provide as an additional pension benefit a Last Expenses grant to the immediate family of all principal pensioners upon the principal pensioner passing away.
C. To bring the TDR in line with the latest changes in Retirement Benefits laws and regulations.

It is important to note here that the TDR already provides the authority to the Board of Trustees to provide pension increments, or to establish a minimum pension level, subject to the availability of funds.

4.0 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 next 3 years, projecting the Scheme's ability to pay all benefits due to all members.

The results in Kenya Shillings of the actuarial valuation are in summary 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 RBA - 100%

To provide a solid assessment of the assets that would be available to the Scheme to pay pensions, the Actuary made a special provision or set-aside by reducing the assets' current value by 20% to provide an extra safety cushion of assets reserves to ensure that all pension benefits are paid.

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 do so, which will shortly be submitted to the Sponsor for approval as required by the TDR.

The Actuarial Report will soon be placed on the Scheme website.

5.0 Audit of the Scheme financial statements as at June 30th 2023

One of the mandatory duties of the Trustees is to ensure that the Financial Statement of the Scheme is audited every year and the same is filed with the RBA by September 30th, after the close of the Financial Year.

The Trustees confirms that the financial statements for the year ending June 30th 2023 were audited and filed with the Regulator on time.

The audited accounts as at June 2023 are summarized below,

- Rental collection Kes 543,500,000
- Income from Sale of Property Kes 1,300,000,000
- Benefits paid during the year Kes.1,557,602,000
- Other expenses Kes. 452,518,000
- Loan repayment Kes. 319,000,000

6.0 Rent Collections

The Trustees took the frontline in overseeing the task of collecting rent in support of the Scheme Management to recover all the outstanding rent arrears from all the properties.
During the financial period ending June 30th 2023, the Scheme collected a total of Kes.543.5 million.
However, the major challenge remains with some tenants (including some pensioners and dependents) who have been problematic in paying rent to the Scheme and also influence others not to pay rent. For instance, in Land Mawe estate, pensioners are owing rent arrears of approximately Kes.33 million.
The BOT has formed a special taskforce with the Management that is working with the multi-agency units of the Government to ensure that this issue is fully cleared by the early next year. Tenants are encouraged to clear all their rent arrears and enter into acceptable payment plans with the Scheme or be ready to face the lawful exercise of the Scheme's landlord rights, backed up by the multi-agency Government team, early next year.

7.0 The scheme membership as at June 2023

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 as per the November 2022 Census stands at 70.1 years.
The current membership of the Scheme as at June 2023 consists of the following,

- Active pensioners 6,692
- Deferred members 680
- Suspended members 1,178
- Total Membership 8,550

The Scheme Management once again appeals to all pensioners to connect with those suspended pensioners who have not completed the Scheme Census forms, and assist them to come forward and become active members of the Scheme again and collect their benefits which are being held for them.

8.0 Payment of monthly Pension to Members

The Trustees managed to pay members their monthly pension during the financial year ending 30th June 2023 despite slight delays witnessed due to late payment of compensation payments from the National Treasury for compulsory acquisition of Nairobi Railway Club land. The source of the income for the Scheme was from rental collections and proceeds from Nairobi Railway Club compulsory acquisition. The BOT has established an Annual Disposal Plan for key properties to transform the property investments into more liquid financial instruments that will end up fully stabilizing the cash flow. One of the key areas the BOT is focused on is the stabilization of the cash flow so that pension payment is stabilized at the 25th of every month. We have not yet achieved that for November 2023, but we continue to make every effort to pay pensions on time.

9.0 Pension adjustment by Kes. 1,000 one off

The active pensioners in 2017 were awarded a one-off pension adjustment of Kes. 1,000 from May 1st 2017, which had been proposed by the Corporate Trustees but has not been paid since then. The Board of Trustees resolved to pay the Kes. 1,000 one off pension awarded to members (adjusted for the subsequent increments since 2017) with effect from September 2023 onwards. However, the backdated arrears caused by this delayed implementation are yet to be paid, and the BOT is working hard to ensure that as soon as funds are available, it is cleared.

10.0 Pensioners' payroll/census audit by Ronalds 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 are finalizing their findings and once ready, the report will be communicated to members. The report from the auditors is expected to be ready before end of December 2023.

11.0 Members' communication

The Trustees undertook a country wide member's education programme this year prior to the 2021/2022 AGM held in July 2023, educating members on the status of the Scheme. This exercise will be an annual event by the Trustees to create more awareness among the members and direct dialogue with the Board of Trustees. 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.

12.0 Deferred member's benefits

The Board of Trustees has resolved the long outstanding matters of benefits payable to deferred members by revising the benefits accordingly.
Deferred members who retired before January 2021 had their benefits paid as was calculated in the year 2006 by the Sponsor. Moving forward, all deferred members are currently receiving the revised monthly pension and lump sum as was revised by the BOT. As at September 2023 pension revision, a total of 1,785 deferred members benefits were adjusted.
The arrears caused by this revision has not been paid and will be paid as soon as the funds are available. The BOT's first priority was to ensure that every pensioner is getting the right pension.

13.0 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 operational and 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.
- Investments (Estates);
  The Module is under testing by the Estate Department users after uploading of data and once confirmed, tenants will be able to pay rent from the comfort of their homes and access their rent statements.
- Accounts;
  The accounts module is under testing by the Account users and once live and operational, reconciliation of transactions will be automatic.
- Case Management;
  The final module which will on board all Scheme legal cases has been implemented, and is undergoing testing, awaiting go live.

14.0 Status of GOK affordable housing program in Makongeni Estate.

The Trustees held several consultative meetings with stakeholders on possible implementation of Government affordable housing programme in Makongeni Estate.
The Trustees would like to inform members that they have not signed any sale agreement related to Makongeni Estate as alleged in the some social media platforms. A section of Makongeni residents moved to court challenging the proposed engagement, but their case was dismissed. However, the Rift Valley Railway Workers Union is appealing against that ruling with the intention of stopping the development project. The BOT is looking for partners including the GOK for the implementation of a project that will be beneficial to all the pensioners and investors who come on board.
Pensioners are encouraged to support effective proposals by the BOT to improve financial liquidity and enhance benefit payments to the same members.

16.0 Proposed property disposal by the Trustees

The Trustees have proposed the disposal of the following Scheme investment properties to improve the liquidity level and comply with RBA requirement of maintaining only 30% in form of property:

- Ngara estate

And other properties under Nairobi Railway City development including the following;

- Railway HQs East Wing and Block D.
- Goods shed area.

The Trustees will ensure that the properties are valued and disposed of based on the current market prices.

15.0 Reconciliation of Scheme properties

The BOT appointed an Ad Hoc Committee to look at inconsistency of the properties transferred to the Scheme in 2006 between the actual acreages on the ground and the Gazette Notice, which vested the properties to the Scheme, as well as to look at gaps in the documentation (such as missing Title Deeds, Deed Plans, Leases, etc.) of the vesting order for the Scheme's properties.
The Ad Hoc Committee brought on board experts and those who were involved in the exercise in the years before the formation of the Scheme. The Ad Hoc Committee is expected to produce a comprehensive report on the discrepancies and make recommendations to the Board of Trustees.

The BOT will study the report and if adopted it will be forwarded to the Sponsor for any possible additional compensation.

16.0 Announcement of a Vacancy of an Elected Member in the Board of Trustees

Once again, we reiterate our deep sense of loss and sadness on the passing away of Trustee Henry Toili. His shoes will be hard to fill.
But the Law requires that we hold an election for a Trustee to replace him, and given the heavy work load of the Board of Trustees – as I have outlined earlier – we are required to plan for that election soon. As per our Election Policy Manual (which is available on the Scheme website), the Board of Trustees has appointed an Election Committee from among its sponsor nominated members, chaired by CHRP Asava Kadima. The Board of Trustees has determined that the Election will take place at a SGM of the Scheme to be held on Tuesday 27th February 2024.

We would have wanted to hold the election using digital technology but the Scheme has not had the time or the resources to develop a digital voting solution suitable for our members, nor had the time or resources to test it and undertake a pilot voting exercise to familiarize our pensioners with digital voting. Therefore, the February 2024 election will be manual and held in Nairobi for one Member Elected Trustee.

The Notice requesting candidates to submit nomination forms will be issued soon, and in any case at least 60 days before the Election Day.

I trust that many of you who knew of the great work that Trustee Toili has done over more than 10 years will step forward to present yourselves to the voters to continue that work and take the Scheme to even greater heights.

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,
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Our website: www.krsrbs.co.ke

REF: BNFT/COMM/4/2023
Date: November 24 2023

TRUSTEE HENRY WAMUKOTA TOILI:
Sunrise: 5th August 1956
Sunset: 22nd November 2023
(RIP OUR BELOVED TRUSTEE)