UNIVERSITY OF NAIROBI
PENSION SCHEME 2007

STRATEGIC PLAN

2016 TO 2020

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FOREWORD

It is my pleasure to present this second strategic plan of the University of Nairobi Pension Scheme 2007 for the period 2016-2020. It is the Scheme's roadmap over the next five years ending June 2020. The Trustees' commitment to long term strategic thinking necessitated the change from the shorter 3-year plan to a 5-year strategic plan.

Due to the challenge of the rapidly changing economic environment, the pension industry globally is being forced to think outside the box in order to be able to meet its mandate. New investment products and new trends are being experienced in the industry. The UNPS 2007 strategic plan for 2016-2020 has been designed with this in mind.

University of Nairobi Pension Scheme 2007 is an ageing scheme. The average age of teaching members of the scheme is 49 years and for the non-teaching members is 48 years. There will be large retirement benefit payouts during this period due to increase in the number of members retiring. The plan has taken this into account and provided accordingly to ensure that there will be sufficient funds for payouts.

The first strategic plan had key accomplishments which include:

- The average rate of return declared by the Scheme for members was 21% which is way above the pension industry average rate of 10%. However, the Scheme utilized its reserve fund fully in augmenting the declared returns to members.
- In 2014, the Scheme introduced planning for retirement seminars specifically for Teaching members of staff.
- Members statements for 2015 were sent online.

During the period of this strategic plan (2016-2020), the Scheme will fully automate its operations by implementing a web based system that will enable members to interact with the Scheme real-time and also be able to access their statements online. The Trustees will also implement the income drawdown option as an alternative to purchase of annuities with the two thirds retirement benefits. The Trustees will seek to embrace and adopt any appropriate or new developments in the industry for the benefit of the members.

Positive dialogue and partnerships with all stakeholders is paramount in achieving the Scheme's long term objectives. The scheme will continue to work efficiently in providing timely benefits to members and beneficiaries.

We thank all those who in one way or another participated or supported us as we prepared the strategic plan.

Chairman, Board of Trustees
University of Nairobi Pension Scheme 2007

EXECUTIVE SUMMARY

University of Nairobi Pension Scheme 2007 was formed in March 2007 after being converted from a **DEFINED BENEFIT SCHEME TO A DEFINEDCONTRIBUTION SCHEME.** All members of the defined benefit scheme were transferred to the defined contribution scheme. The Scheme is established under an irrevocable trust.

The main purpose of the Scheme is the provision of:
- Pension and other benefits for permanent and pensionable employees of the University of Nairobi upon their exit from active service of the University of Nairobi
- Relief for the dependants of deceased employees.

The strategic objectives included in this plan are the University of Nairobi Pension Scheme 2007 response to:
- Its understanding of what its members value most about the Scheme,
- Current opportunities and challenges for offering timely, efficient benefits to members and their beneficiaries

The five-year period of this strategic plan will be a time of assessing and deepening the University of Nairobi Pension Scheme's 2007 approaches to its work. Concurrently, it will take more of a leadership role in championing for best practices in the Kenyan retirement industry.

The vision of the Scheme is **"Providing comfort in retirement".**

The Mission of the Scheme is **"To ensure prudent investments of Scheme Funds and provide timely benefits to members and their beneficiaries".**

The Core Values are:
- Member focus
- Good governance, integrity, transparency and accountability
- Team work and team spirit
- National cohesion and inclusiveness
- Responsible citizenship
- Professionalism
- Innovativeness and creativity

With a fresh perspective on its mission, understanding what it does well, and the environment in which it operates, it will pursue the following strategic objectives:

- To maximize returns for members.
- Provide timely, efficient and equitable benefits to members and their beneficiaries.
- Continuously disseminate information to members and their beneficiaries.
- Develop the capacity of the Scheme for service delivery.

University of Nairobi Pension Scheme 2007 will continue to assess members' needs to identify gaps or needed shifts in service delivery. This assessment will serve as the basis for expanding or adding new services for members. The University of Nairobi Pension Scheme 2007 commits itself to provide timely and efficient services to its members and their dependants.

It will also develop a stable, highly qualified and motivated workforce that will actively deliver the Scheme's mission.

1.0 INTRODUCTION

Organizational success does not come by chance. It is the result of consistent and focused hard work by managers relentlessly seeking survival and continuity of their organization. Successful organizations have a strong sense of focus and desire to achieve excellent performance.

Everybody understands the business of such focused organizations and their strategic direction. They are guided by pragmatic strategy that is superbly implemented. Strategy is important in providing the much needed direction and focus of any organization. It will specify how the organization will move to its desired future. It also clarifies the organizations positioning and how it will secure sustainable competitive advantage.

Many successful organizations have resorted to formal strategic planning as a way of articulating their strategic direction. Planning for the future is challenging and yet it is important for improved performance. Planning for the future has come to be accepted as a basic feature of good management. As the saying goes, "failing to plan is planning to fail".

The University of Nairobi Pension Scheme 2007 has undergone several changes since it began in 1956. In its current form, it was established in March 2007 after it was converted from a "Defined Benefit" to a "Defined Contribution" Scheme. The performance of the Scheme has been consistently good. Its returns have remained higher than the industry average. The Scheme has been well managed and its members are satisfied with this performance.

The Scheme faces many challenges. Key among these are continuous changes in its external business environment. The Scheme has to respond to these changes to maintain its successful performance. It has to continue to align its activities to the changes happening in its environment. This Strategic Plan will guide the Scheme in responding to the challenges facing it.

Strategy is important in providing the much needed direction and focus of any organization. It will specify how the organization will move to its desired future. It also clarifies the organizations positioning and how it will secure sustainable competitive advantage.

2.0 ENVIRONMENTAL OUTLOOK

Understanding the external environment is important in managing organisations. It is this environment that shapes the opportunities and challenges facing any organisation. It forms the context in which the organisations operate. It is important to listen to the environment and reposing to the changes that happen there.

An environmental analysis (PESTEL) was done and it revealed issues, trends (concerns) that the Scheme will watch and respond to over the plan period.

2.1 Political

The Constitution and Vision 2030 recognize the contribution of social security to national economic development. The implementation of Vision 2030 through Medium Term Plans highlights the importance of the Retirement Benefits Industry sector in economic development which our strategic plan needs to embody. Unsustainable levels of corruption in the government and high overheads in running county government are likely to have an economic impact which will affect the pensions industry.

The general elections in 2017 will be expected to cause ripples in the economy which may have a potential effect to the Scheme's performance. Concerns around election may cause spending to increase in the next fiscal year. There is always foreign investor apathy around the election period. The Scheme will work closely with the service providers to ensure appropriate investment strategies are adopted.

2.2 The economy

Kenya's economy is estimated to grow at a rate between 5.6% – 6.3% in the medium term. This is well below 10% envisaged by vision 2030. The local and global economic environments provide Kenyans with opportunities to save. However, high fuel prices, inflationary pressures, insecurity, high unemployment, food shortages occasioned by drought and rising poverty levels impact on the returns.

The Scheme's risk has been conservative and with the rapidly changing economic environment globally, the Trustees need to revise the risk profile and be aggressive by embracing the new investment products in the market.

The current turmoil in the banking industry is likely to be contained with the tightening of CBK regulation. As such it is unlikely to have any significant effect in the retirement benefits industry.

2.3 Socio-Cultural

The Scheme has an ageing population with an increased number of members attaining retirement age. The Scheme will need to continuously educate the members to prepare adequately for retirement. The Scheme will implement Income Draw Down internally because of the anticipated large payouts of benefits from the Scheme. The Scheme also needs to formulate strategies on attracting and motivating members to save more for retirement by way of Additional Voluntary contributions in order to augment their benefits.

More than ever a Post Retirement Medical Scheme is necessary to take care of health needs for retired members.

2.4 Technological

Technology promotes accessibility and eliminates time wastage that is perpetuated by manual systems. The Scheme is exploring adoption of various ICT-based applications such as e-board and web based applications that can enable members to access information online. This will enhance efficiency in service delivery.

2.5 Ecological

National Environmental Policy requires institutions to conserve the environment and address adverse effects of climate change. In this regard, the Scheme will consider appropriate environmental conservation initiatives.

2.6 Legislation/ Legal Environment

The Scheme is governed by the RBA Act and the Income Tax Act. The Unclaimed Financial Assets Act 2011, the NSSF Act 2013 which is yet to be implemented and the Public Procurement and Assets Disposal Act 2015 are expected to have a huge impact on the operations of the Scheme.

From time to time the National Treasury issues directives through circulars to pension schemes of public institutions.

The Scheme therefore needs to continuously review the operations in order to comply with the law.

The Government of Kenya has embarked on a policy of harmonizing salaries and allowances in the public sector. This policy is not expected to reduce salaries of University staff.

3.0: TRENDS IN THE INTERNATIONAL RETIREMENT BENEFITS INDUSTRY

The following are the observed trends in the International Retirement Benefits Industry.

3.1 Increase in Retirement Age

It has been observed that in the recent years there has been a debate of increasing retirement age in various countries like USA and UK to avoid causing the countries to fall into default. The main reason being that there is a growing number of retirees living into their eighties and nineties. The huge jump in life expectancy has seen costs shoot up for these governments, which are paying some pensioners for more years in retirement than they paid in active employment.

3.2 Getting hands-on with investment risk

Pension funds are re-evaluating their attitude toward risk as they seek to deliver value to their members in a difficult investment climate. The rise in risk appetite is driven by pension funds' need to boost lackluster returns. Interest rates have remained at historically low levels. Traditionally popular asset classes such as equities and fixed income may look pricey. Pension funds are making a major shift in allocations to less-familiar asset classes such as alternatives to drive growth and meet long-term liabilities.

3.3 Big bets on alternatives

For pension funds, alternative investments have typically constituted a small part of the portfolio. This is changing. Pension funds are finding that a small allocation to alternatives is not sufficient to generate the required growth. This is forcing many of them to place bigger bets on alternatives.

3.4 Do-it-yourself asset management

The trend toward the in-sourcing of asset management will be expected to accelerate in future. Globally, pension funds are expected to increase the proportion of their portfolio that is managed in-house. Cost is a big driver for in-sourcing strategies. Asset owners also believe they can increase their oversight of assets by bringing them in-house. And pension funds with a focus on in-sourcing will have to acquire many of the capabilities of the specialist asset managers. The larger funds are already competing for top investment talent.

3.5 The relationship with asset managers evolves

The relationship between the pension funds and their asset managers adds another layer of complexity to risk and performance management. Most pension funds find it difficult to ensure that their asset managers' interests are aligned with their own. They also find it a challenge to justify fees from their asset managers.

Pension funds need asset managers who can help them develop investment strategies that are compatible with their broader investment philosophy. The asset managers must master the transition from product providers to becoming fully fledged "solution builders."

3.6 Fortifying governance

Several forces have combined to put a new focus on the governance model for pension funds. Pension funds will need to strengthen their overall governance as a matter of priority going forward.

The increased use of complex alternatives may also require pension funds to bring in more professional trustees or specialist advisors.

3.7 Conclusion

- The Scheme needs to search for new investment avenues to enhance returns.
- Returns seem to be the single most critical factor for success in this industry.
- Good governance is also a critical factor for success.
- There is a recognised need for efficient administration of funds.

4.0 RETIREMENT BENEFITS INDUSTRY IN KENYA

4.1 Composition

The industry is composed of the Civil Service Scheme, the National Social Security Fund (NSSF), Occupational Schemes and the Individual Pension Schemes. The main features of the types of schemes in the country are outlined in the table below:-

Scheme Type	Civil Service Scheme	National Social Security Fund	Occupational Schemes	Individual Schemes
Legal Structure	*Act of Parliament*	*Act of Parliament*	*Trust Deed*	*Trust Deed*
Membership	*All civil servants*	*Formal sector workers*	*Formal sector workers in companies that have schemes*	*Individuals formal/informal sector join voluntarily*
Funding	*Non-funded*	*Funded*	*Funded*	*Funded*
Regulation	*Exempt from the Authority*	*Subject to the Authority*	*Subject to the Authority*	*Subject to the Authority*

The coverage of the pension schemes is currently estimated at less than 15% of the total labour force. The distribution of membership in the schemes as a proportion of the total membership in retirement benefits schemes in the country is shown in the table below:

Scheme Type	Percentage
Occupational Retirement Benefits Schemes	*15.0%*
Individual Retirement Benefits Schemes	*2.0%*
Civil Service Pension Scheme	*23.0%*
National Social Security Fund	*60.0%*

4.2 Regulation of the Industry

Prior to 1997, the retirement benefits industry was largely unregulated. The only regulations governing the sector were those inscribed in the Income Tax Act and Trust Laws and these tended to be broad regulations which did not encompass developmental objectives.

Some of the problems that the pension industry faced before a clear regulatory framework were put in place and which led to the enactment of the Retirement Benefits Act in 1997 include:

a) Need for harmonized policy and legislation;
b) Curtail misappropriation of funds;
c) Funding problems;
d) Poor investment decisions;
e) Delays in benefits payment;

f) Lack of transparency and information disclosure;
g) Poor record keeping;
h) Lack of professional input in scheme management;
i) Design and viability of the schemes.

In the absence of a regulatory framework the industry was characterized by lack of protection of the interests of members and dominance of sponsors (employers) in scheme affairs. In addition, many schemes were run through insurance companies that tended to operate in a non-transparent manner. As a result investment decisions were in many cases made in the best interest of vested parties and not in the interest of members or of the economy as a whole.

4.2.1 The Retirement Benefits Act

The Retirement Benefit Act was enacted to provide a regulatory framework for the retirement benefits industry. This regulatory framework was needed to streamline the industry and gain the required confidence from stakeholders and employees to enable them save more for retirement and contribute towards the national effort of raising the domestic savings rate.

The Act created the Retirement Benefits Authority to oversee the industry's management and development in a prudent and appropriate manner. The Authority's operations are vested in an independent Board of Directors with a majority private sector representation and the autonomy to run the industry with-out undue state interference.

Some of the key requirements introduced in the Kenyan pension reforms that are currently being enforced by the Retirement Benefits Authority include the following:

a) Retirement benefits schemes are required to be adequately funded and have separate assets independent of the sponsor.
b) Trustees are responsible for the running of the scheme affairs and are held responsible for any action taken.
c) All schemes are required by law to appoint an independent fund manager registered by the Retirement Benefits Authority to invest the scheme funds.
d) It is mandatory for schemes to appoint an independent custodian registered by the Retirement Benefits Authority to hold financial assets of the scheme and effect all transactions.
e) Investment of scheme funds is supposed to be carried out as per investment guidelines which prescribe maximum proportions as to the proportion of the scheme funds that can be invested in any particular broad asset class.

Since the enactment of the Retirement Benefits Act, the industry has experienced remarkable growth, with fund managers currently holding a total of **KShs 800** billion in retirement benefit asset.

4.2.2 Reason for Growth in the Retirement Benefits Industry

Cases of abuse of scheme assets by trustees or other parties have declined remarkably, if not ceased completely, in the recent past as a result of the oversight role which the Authority play, and the "whistle-blowing" role of the various statutory service providers. There is also an increased awareness and direct participation of Members in the affairs of the scheme. The growth in the retirement benefits industry is attributed to:-

a) Increased confidence in saving for retirement due to the oversight obligation of the Retirement Benefits Authority;
b) Increased member aware-ness through mandatory annual statements, mandatory annual general meetings and public education;
c) Increased member participation as schemes required to have 1/3 (in defined benefits scheme) or fifty percent (in defined contribution schemes) member nominated trustees in their Boards;
d) Improved investment port-folio returns and diversification as a result of the use of independent investment managers;
e) Security of scheme assets following the separation of asset custody from the sponsor to independent custodians; and
f) Greater transparency and accountability through annual audited financial statements and other statutory returns.

4.2.3 Recent changes in legislative framework for Retirement Benefits Industry

In order to further protect the interest of the members of retirement benefits schemes and strengthen the development of the industry, the Cabinet Secretary Treasury, introduces a number of changes at various times which are normally read in the Kenya National Budget every year. In addition the Retirement benefits authority has adopted the following reforms;-

a) Compliance based supervision
b) Risk based supervision
c) Improved governance

4.3 Role of Pension Funds in Kenya

a) Increasing the generation of long-term savings;
b) Lengthening the maturity profile of public and private debt due to the long term nature of pension investment;
c) Stimulating financial innovation and new products such as asset backed securities and Infrastructure bonds;
d) Improving market integrity through professionalism,
e) Activism and influence of institutional investors;
f) Intensifying financial market competition by act as a countervailing force to the banking sector and,
g) Transfer of knowledge due to international service provision to pensions sector

4.4 Competition in the Industry

a) Competition among service providers like fund managers, custodians, actuaries, annuity providers, and administrators
b) Competition for the limited available investment vehicles
c) Competition amongst individual pension plans
d) Competition against investing in the pension industry and rather opting to invest elsewhere like in Saccos, purchase of land, direct investment in the stock market

4.5 Challenges facing Pension Schemes In Kenya

a) Volatility in the market leading inconsistent returns to members
b) Due to high volatile inflation rates, the industry is at times unable to post a rate of return above the inflation rates.
c) Regular changes in legislation in the pensions industry
d) Few service providers in the market
e) Non remittance and late remittance of contributions by sponsors
f) Ageing population.
g) Few annuity providers in the market
h) Low replacement ratio of take home pension benefits
i) Risk of loss of scheme funds in investments
j) Lack of structural mechanism outside the formal one;
k) Cost of establishing schemes;
l) Low coverage;
m) Leakages – mini withdrawal of benefits; and
n) Want of clear pension government policy.

4.6 Challenges facing Fund Managers

The challenges faced by fund managers in their investment functions are as follows: -

a) Lack of liquidity
b) Unethical behaviour among stock brokers and high stock brokerage costs
c) Inhibitive regulations
d) Little focus on performance
e) Limited discretion
f) Unethical behavior by Pension Scheme Trustees
g) Trustees' limited understanding of risk-return relationship
h) Limited investment products
i) Risks faced during fund management duties likeInflation, Market volatility, Political risk, Competition risk, Credit risk, Equity price risk
j) Information asymmetry/ falsification of financial records by companies listed in the Stock market

5.0 UNIVERSITY OF NAIROBI PENSION SCHEME 2007

5.1 History

The University of Nairobi Pension Scheme has undergone a number of changes since it began in 1956 when the Royal Technical College of East Africa (as the University was known then) established the Royal Technical College (Nairobi) Pension Scheme. On January 25, 1961, the College was admitted to the (Commonwealth) Federated Superannuation Scheme for Universities (FSSU), which was administered, from London in the United Kingdom (UK).

On July 1, 1968 came yet another change with the creation of the Superannuation Fund for Senior Staff (SFSS), later re-named Senior Staff Superannuation Fund (SSSF). The SSSF was for staff serving on academic, senior library and senior administrative terms. The pension scheme for middle grade employees was known as Retirement Benefits Scheme (RBS). Both Schemes were administrated locally by the defunct Kenya National Assurance Company (KNAC).

The University of Nairobi Pension Scheme, (UoNPS) came into being on January 1, 1987. On that date, the University pulled the two schemes out of KNAC and merged them into one self-administered scheme. The Scheme operated as a 'Defined Benefit' Scheme with members' benefits being computed as a percentage of final salary. It was being run as a department of the University until October 8, 2001 when it was de-linked from the sponsor in compliance with the Retirement Benefits Act of 1997 and the Retirement Benefits Regulations of the year 2000.

The current University of Nairobi Pension Scheme 2007 is the fifth stage of the metamorphosis and was established on 1st March 2007 after it was converted from a 'Defined Benefit' to a 'Defined Contribution' Scheme. It is established under irrevocable Trust for the purpose of providing pensions and other benefits for employees of the Sponsor upon their retirement from the Sponsor's service, and relief for the dependants of deceased employees. From the date of conversion until 31st December 2010, contribution rates were 7% for employees and 20% for the employer. From January 2011, contribution rates are 10% for employees and 20% for employer.

The Board of Trustees of the University of Nairobi Pension Scheme 2007 is made up of four (4) University Council nominated Trustees and four (4) members elected Trustees. The current-serving Trustees joined the Board at various times and their term in office would be expiring on different dates. The Scheme is administered internally by a secretariat comprising of four (4) members of staff.

The Board has engaged the service of various service providers as per the Retirement Benefits Act as follows: -

- Fund Managers–Pinebridge Investments/ Gen Africa Asset Managers
- Custodians –Standard Chartered Bank
- Actuaries –Alexander Forbes Financial Services

In developing this Strategic Plan, the Trustees have considered the understanding of the asset and liability profile of the Scheme, the expectations of the University Council and members interests including those of beneficiaries and other relevant stakeholders.

5.2 Performance (2008-2015)

The past performance posted by UNPS 2007 has remained consistently good. The Scheme has active and knowledgeable Board of Trustees who conduct frequent educational meetings and update members regularly on the affairs of the Scheme. The Scheme has engaged the best service providers in the market.

Table

Financial Year ended 30th June	Net Return Earned Including unrealized	Net Return Earned Realized only	Rate declared for members	Industry Average
2008	9.10%	5.23%	5.10%	**-2.8%**
2009	4.55%	7.90%	2.50%	**10.9%**
2010	29.80%	7.30%	12.90%	**27.8%**
2011	2.61%	5.83%	3.00%	**-9.9%**
2012	14.00%	9.20%	20.00%	**28.9%**
2013	19.10%	6.30%	23.00%	**21.4%**
2014	11.30%	8.10%	20.00%	**15.5%**
2015	8.90%	8.50%	8.50%	**0.5%**

5.3 Challenges Facing the UNPS 2007

a) Volatility in the market which makes it difficult for the Trustees to guarantee a consistent fund growth and consequently better benefits to the members
b) Due to high volatile inflation rates, the Scheme may at times be unable to post a rate of return above the inflation rates.
c) Regular changes in legislation in the pensions industry is a big challenge to the Scheme as the Trustees have to continually review the Trust Deed and Rules.
d) Few service providers in the retirement benefits industry providing limited options to the Trustees.
e) Ageing population.
f) Few annuity providers in the market providing limited options to the members when they retire.
g) Lack of alternative options to annuities.
h) Low replacement ratio of take home pension benefits
i) Restrictive legislation regarding investments.

6.0 VISION, MISSION AND CORE VALUES

The Scheme needed to clarify its strategic direction. This required an articulation of its purpose, business and what it intended to accomplish. This was done by reviewing its vision, mission and values.

6.1 Mandate

The University of Nairobi Pension Scheme 2007 exists to provide pension and other benefits for employees of the Sponsor upon their retirement from the Sponsor's service and relief for the Dependants of deceased employees.

6.2 Vision

"Towards providing comfort in retirement"

6.3 Mission

"To ensure prudent investments of Scheme Funds and provide timely benefits to members and their beneficiaries".

6.4 Core Values

In order to realize and achieve our vision and mission the scheme shall be guided by the following core values:

- Member focus
- Good governance, Integrity, Transparency and accountability
- Team work and team spirit
- National cohesion and inclusiveness
- Responsible citizenship
- Professionalism
- Innovativeness and creativity

7.0 STRATEGIC ANALYSIS

7.1 Assessment of past performance

Despite the challenging economic environment that the Scheme has been operating under, the Trustees in liaison with the fund managers have continually adhered to prudent investment of Scheme funds always complying with the RBA investment guidelines. The fund growth over the last several years has been impressive (Figure 1). Benefits paid to members also grew phenomenally (Figure 2).

Figure 1: Fund Growth (KShs.)

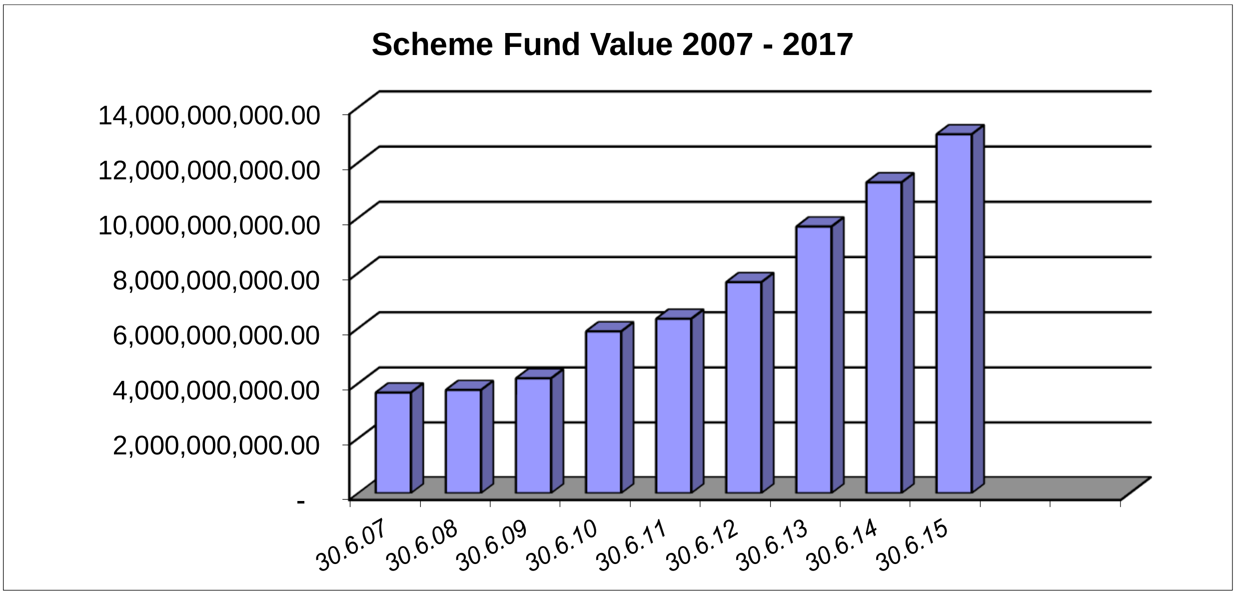


Figure 2: Total Benefits Paid to Members (KShs.)

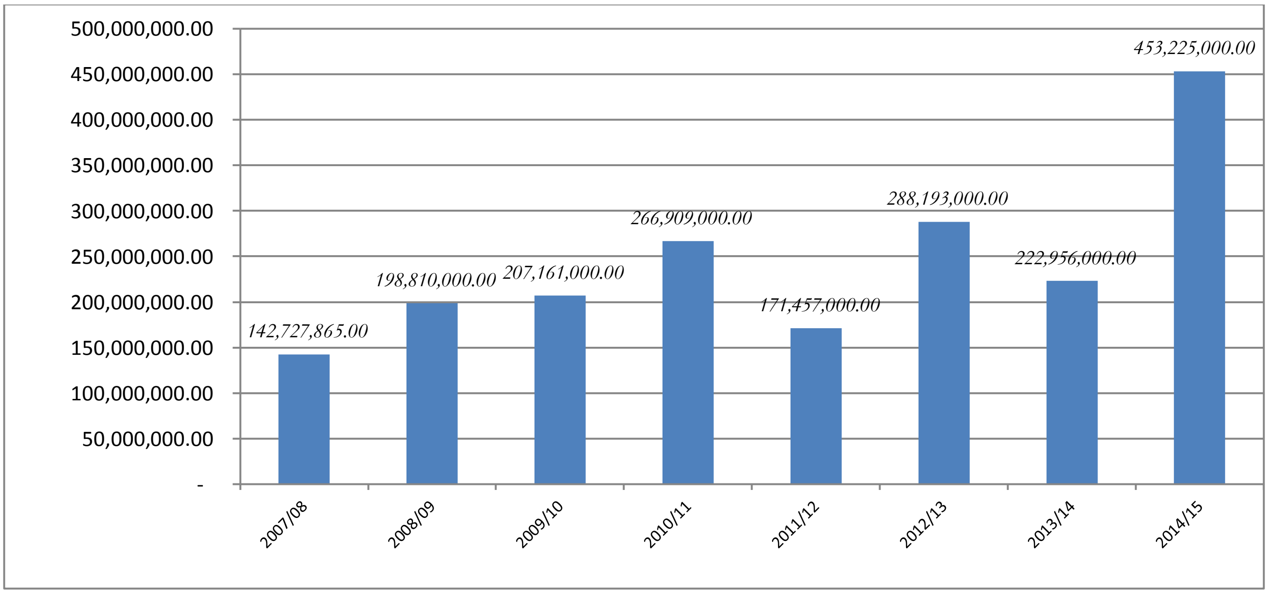


Figure 3: Rate of return declared on member's accounts

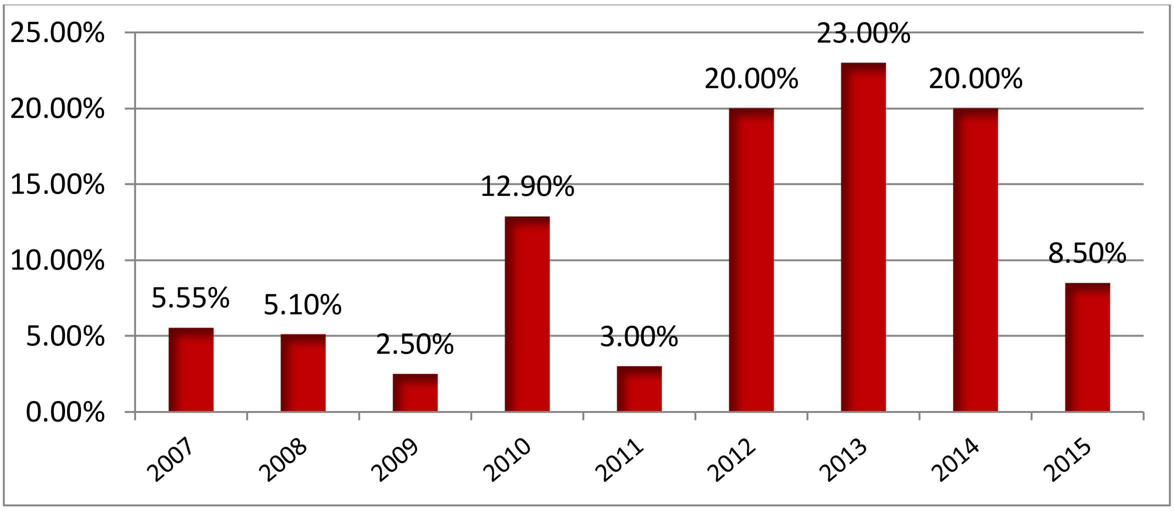
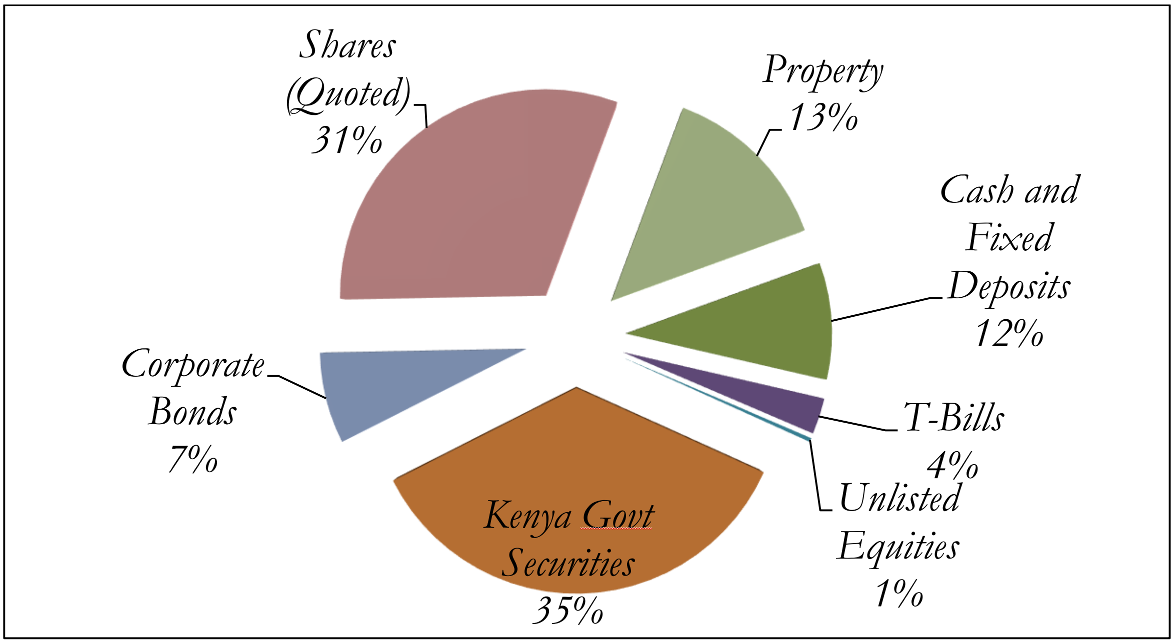


Figure 4: Asset Summary as at 31.12.2015

The Scheme's Fund Value as at **31.12.2015** was **KShs.13,346,889,208.35** made up of various assets as reflected below;



7.2 SWOT Analysis

Internal and external (SWOT) analysis is critical in understanding the conditions within which organizations operate. It provides an appreciation of the capabilities of an organization and the external factors that affect it. This analysis results in the identification of strengths, weaknesses, opportunities and threats. These provide a good indication of what the future strategies will be.

Strengths	Weaknesses
• Prompt payment to members • Support, commitment and timely remittance of contributions by Sponsor • Well trained and decisive Board of Trustees • Excellent member education • Personalized service to members (In house administration of the Scheme) • Engagement of the best service providers in the market. • Large membership (High contributions) • Well managed pension scheme • Prudent Investment strategies • Lean and efficient Secretariat • Amongst the best performing Schemes. • Low Administrative costs	• Apathy by members • Inadequate knowledge of scheme operation by members • Anticipated large payout due to large ageing membership • Lack of an internal audit unit • Partial computerization of scheme's operations • Ageing UNIPEN Apartments
Opportunities	**Threats**
• Additional voluntary contributions • Full computerization of Scheme's operations • Increased salaries of members leading to higher contributions • Additional Investment in property • Implementation of Income Draw Down internally within the Scheme • Redevelopment of UNIPEN Apartments	• Unpredictable political climate • Frequent legal/policy changes in the pension industry • Agency risk associated with service providers/Trustees/Staff • Unpredictable and uncertain investment returns due to market volatility • High inflation rates • Few reputable service providers • NSSF Act 2013, Public Procurement and Asset Disposal Act 2015. Unclaimed Financial Asset Act 2011. • Non-remittance/ late remittance of pension contributions by employer • Loss of scheme funds in investments

8.0 STRATEGIC OBJECTIVES, STRATEGIES AND OUTCOMES

The Strategic Plan sets out four (4) strategic objectives for the Scheme and these objectives are consistent with the Vision and Mission of the Scheme and the strategic analysis carried out. These strategic objectives are ambitious and reflect areas where the Scheme can achieve significant improvements in performance.

The objectives are also informed by the logic of the balanced scorecard. This requires setting objective in four key areas of the business i.e. financials, customers, internal business processes, learning and growth. The Scheme has further identified key strategies for implementation to achieve the strategic objectives and established performance indicators for purposes of monitoring progress.

The objectives are to:
- Maximize returns for members
- Provide timely, efficient and equitable benefits to members and their beneficiaries
- Continuously disseminate information to members and their beneficiaries
- Develop the capacity of the Scheme for service delivery

8.1 To maximize returns for members

Key Strategies

- Undertake prudent investments
- Ensure cost containment

Expected outcomes

- Improved returns for members
- Enhanced asset base of the Scheme
- Capital preservation

8.2 To Provide accurate benefits to bona fide members and their Beneficiaries, in a timely manner.

Key Strategies

- Enhance customer service

Expected outcomes

- Full computerization including providing online services to members
- Well trained and motivated staff

8.3 To continuously educate members

Key Strategies

- Regular members education
- Enhance communication through greater utilization of ICTs

Expected outcomes

- Knowledgeable and informed membership
- Quality feedback for continuous improvement
- Improved communication

8.4 To develop the capacity of the Scheme for service delivery

Key Strategies

- Enhance good corporate governance
- Strengthen performance management
- Undertake skills development
- Comply with all statutory requirements

Expected outcomes

A highly efficient productive Board

9.0 IMPLEMENTATION, MONITORING AND EVALUATION

An excellent strategic plan will deliver expected results if its implementation is good. Various activities ought to be done to ensure successful implementation of this strategic plan.

9.1 Internal Consistency

Successful strategic plan implementation requires congruence between the various internal dimensions of an organization. Key among these are; strategy, structure, systems, style (leadership), skills, staff (number, attitudes) and shared values. These need to be aligned to support the strategic plan being implemented.

9.2 Annual Planning

An implementation matrix has been developed. It shows the outcomes, performance indicators for each outcome, targets to be achieved over the plan period and the persons/offices responsible for achieving these targets. The implementation matrix is shown in Appendix 1. The Pension Scheme should develop annual work plans. These derive from the three-year implementation matrix. They detail what will be done during the relevant year. Timelines are more specific (within the year).

9.3 Budget

It will be important to maintain a link between the annual budget, annual work plan and the strategic plan. Annual work plans should be completed in time to inform the relevant annual budget. The current budget is presented in Appendix 2.

9.4 Communication of the Plan

All members of the Scheme will be involved in implementing the plan. There is need to sensitize them on key highlights of the strategic plan being implemented and what is expected of them. This calls for communicating the strategic plan to all members.

9.5 Monitoring and Evaluation

Monitoring and evaluation (M&E) helps those involved in executing the Pension Scheme's strategic plan to assess if progress is being made in line with expectations in the plan. Monitoring and evaluation of performance shall be the responsibility of those designated to drive the various activities in the plan. Monitoring and evaluation will require comparison between actual and expected performance. Any variances detected would require corrective action to be taken. Quarterly reports should be produced to document progress in implementing the strategic plan.

APPENDIX 1: IMPLEMENTATION MATRIX

Strategic Objective 1: To maximize returns to members

Strategies	Activities	Expected Outcomes	Performance Indicators	Baseline		Targets					Time frame	Responsibility
				June 2014	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020		
• Undertake prudent investments	• Continuously reviewing investment policy statement	• Improved returns for members	*% returns*	Fixed Income		Fixed Income					2016 – 2020	Board of Trustees
				10%	12%	10%	10%	12%	12%	12%		
	• Fully exploit existing investments opportunities.			Equities		Equities						
				21%	10%	10%	10%	15%	15%	15%		
	• Redevelop UNIPEN Flats			Offshore investments		Offshore Investments						
				–	–	–	–	–	–	–		
				Properties		Properties						
	• Explore and undertake opportunities in real estate	• Enhanced asset base of the Scheme	*% growth*	5%	6%	6%	8%	10%	12%	14%		
	• Embrace the new investment opportunities like Private Equity			12%	9%	10%	10%	13%	13%	13%		
• Cost containment	• Continuously review all operational costs											

Strategic Objective 2: To Provide accurate benefits to bona fide members and their Beneficiaries, in a timely manner.

Strategies	Activities	Expected outcomes	Performance Indicators	Baseline	Targets	Time frame	Responsibility
Enhance customer service	• Achieve full computerization of operations and services. *-Acquiring e-board* *-Acquiring an integrated*	• Improved customer service • Integrated Scheme	% customer satisfaction Online	Survey	Survey + 10%	2016 – 2020 2016	Board of Trustees

	pension software • Engage an ICT support staff • Setting up of the internal audit function.	software	services for members and Trustees Number of website users Audit report			 2017 2017	
Strategic Objective 3: To Disseminate Information to Members Continuously							
Strategies	**Activities**	**Expected outcomes**	**Performance Indicators**	**Baseline**	**Targets**	**Time frame**	**Responsibility**
• Undertake membership education. • Enhance communication through greater Utilization ICTs	• Continuously update the Scheme's website • Enhance content for member education. • Undertake retirement planning seminars. • Sensitization of new Scheme members. • Develop quarterly e-news letters	• Knowledgeable and informed membership • Quality feedback for continuous improvement • Improved communication • Members are better prepared for retirement	% members educated		100%	2016 – 2020	Board of Trustees
Strategic Objective 4: Develop the capacity of the Scheme for service delivery							
Strategies	**Activities**	**Expected outcomes**	**Performance Indicators**	**Baseline**	**Targets**	**Time frame**	**Responsibility**
• Enhance good corporate governance. • Strengthen performance management • Undertake training needs assessment • Comply with all statutory requirements	• Undertake continuous training for Trustees and staff. • Benchmark with other Schemes in the industry. • Evaluate Board performance • Develop a compliance checklist	• A knowledgeable and well-trained Board • A compliant Scheme	% trained Rating of board performance (%)	Assessment	100% Assessment + 10%	2016 – 2020	Board of Trustees

APPENDIX II-PROJECTED BUDGET

The Scheme's expenditure will be aligned to the specific requirements of this strategic plan to ensure that the financial resources are used to drive the designed strategic development of the Scheme. The broad expenditure categories are shown in the table below: -

PROJECTED INCOME AND EXPENDITURE FOR THE PERIOD 2016-2020

UNIVERSITY OF NAIROBI PENSION SCHEME 2007								
PROJECTED INCOME AND EXPENDITURE FOR THE PERIOD 2016-2020								
	Actual Income (KShs. Thousands)			Projected Income (KShs. Thousands)				
INCOME	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
	Actual	**Actual**	**Actual**	**Projected**	**Projected**	**Projected**	**Projected**	**Projected**
Contributions	758,119	894,724	911,271	930,000	950,000	970,000	990,000	1,010,000
Investment Income	661,345	880,281	1,084,546	1,252,730	1,582,790	2,041,300	2,327,800	2,686,682
TOTAL	**1,419,464**	**1,775,005**	**1,995,817**	**2,182,730**	**2,532,790**	**3,011,300**	**3,317,800**	**3,696,682**
	Actual Expenditure (KShs. Thousands)			Projected Expenditure (KShs. Thousands)				
EXPENDITURE	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
	Actual	**Actual**	**Actual**	**Projected**	**Projected**	**Projected**	**Projected**	**Projected**
Member Expenses	290,810	223,969	464,103	456,944	762,325	719,087	1,034,578	473,076
Board of Trustees Expenses	12,987	9,532	11,570	13,305	15,305	17,000	19,500	22,425
Staff Costs	14,572	15,756	15,496	16,756	30,000	31,500	33,075	34,725
Administrative Expenses	35,242	15,060	15,640	17,200	20,150	22,050	24,150	26,450
Pension Integrated Software		-	-	-	10,000	-	-	-
Investment Management Expenses	25,766	32,246	36,987	42,046	48,244	57,032	63,206	72,332
TOTAL	**379,377**	**296,563**	**543,796**	**546,251**	**896,024**	**846,669**	**1,174,509**	**629,008**
GROWTH	**1,040,087**	**1,478,442**	**1,452,021**	**1,636,479**	**1,636,766**	**2,164,631**	**2,143,291**	**3,067,674**

ASSUMPTIONS

The projected performance of the Scheme is based on several key assumptions:

i) The University will continue to remit pension contributions of members of the Scheme on a timely basis.

ii) The pressure on the University to support an increasing wage bill from internal resource will stay within manageable levels.

iii) The University will successfully tap new income streams (e.g. fundraising and endowment funding) to finance its operations.

iv) The University will not experience any unplanned closures that disrupt academic programmes.