



UNIVERSITY OF NAIROBI PENSION SCHEME 2007

MINUTES OF THE HYBRID ANNUAL GENERAL MEETING (AGM) HELD IN MILLENIUM HALL 1, CHIROMO CAMPUS ON TUESDAY 20TH JUNE 2023 FROM 12.30 P.M.

TRUSTEES PRESENT

Prof. George K. Gitau	Chairman, Board of Trustees
Ms. Hannah Mukua	Trustee
Mr. Meshack Juma	Trustee
Dr. Caren Angima	Trustee

IN ATTENDANCE

Mrs. T.Kathae-Alyela	Scheme Administrator
Mr. Josiah Kariuki	Scheme Accountant
Mrs. Florence Munyao	Office Assistant
Ms. Shera Norbhai	Zamara
Mr. Linus Makhulo	Zamara
Mr. Bachu Mutsumi	GenAfrica
Mr. Chris Kaaria	OMIG
Ms. Yvonne Muthwii	Retirement Benefits Authority
Mr. Seth Onyango	Retirement Benefits Authority
Ms. Evelyne Kauna	Office of the Auditor General

MEMBERS IN ATTENDANCE

Members in Attendance Physically	92 Members
Members in Attendance Virtually	221 Members

ABSENT WITH APOLOGIES

Prof. Stephen Kiama	Trustee
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1.0 OPENING

- (i) The Chairman of the Board called the meeting to order. Mrs. Alyela made the opening prayer.
- (ii) The Chairman presented the AGM agenda as follows: -

Agenda	Facilitator	Time
<i>Opening Prayer</i>	<i>Volunteer</i>	<i>12.30 p.m.</i>
<i>Introductions</i>	<i>Chairman – Board of Trustees.</i>	<i>12.35 p.m. – 12.45 p.m.</i>
<i>Chairman’s Report</i>		
<i>Report on Investments</i>	<i>Fund Managers</i>	<i>12.45 p.m.-1.00 p.m.</i>
	<i>Custodian</i>	
<i>Report on Audited Accounts</i>	<i>External Auditors (OAG)</i>	<i>1.00p.m. – 1.15 p.m.</i>
<i>Retirement Benefits Authority</i>	<i>RBA Representative</i>	<i>1.15 p.m. – 1.30 p.m.</i>
<i>Confirmation of Minutes of previous AGM – 18.12.21</i>	<i>Chairman – Board of Trustees</i>	<i>1.30 p.m. – 1.45 p.m.</i>
<i>Matters Arising</i>		
<i>Questions & Answers</i>		
<i>Vote of Thanks</i>	<i>Mr. Meshack Juma</i>	<i>1.45 p.m.</i>

- (iii) The Chairman welcomed all Members to the resumed 2021/2022 AGM after the meeting that had been held in December 2022 had been adjourned due to disruptions by members.

2.0 CHAIRMAN’S REPORT

The highlights of the Chairman’s Report were as follows: -

2.1 Scheme Operations

- (i) Members were informed that the Scheme is managed by a Board of Trustees that is established under a Trust as required by the Retirement Benefits Act.
- (ii) The Board of Trustees opted for internal administration of the Scheme which is carried out by a Secretariat that runs the day to day operations of the Scheme on behalf of the Board to meet its objectives. The Secretariat headed by the Scheme Administrator works in liaison with the scheme’s service providers i.e. include fund managers, custodian, actuaries, lawyers and external auditors.

2.2 Legislative changes during the year affecting the Scheme

- (i) The Mortgage regulations were declared unconstitutional by the Courts in November 2022 and therefore the facility was no longer available to members.
- (ii) Retirement benefits for members retiring at age 65 years and above were no longer being taxed as the courts had given a stay order of the old law.

2.3 Election of Academic member representative Trustee

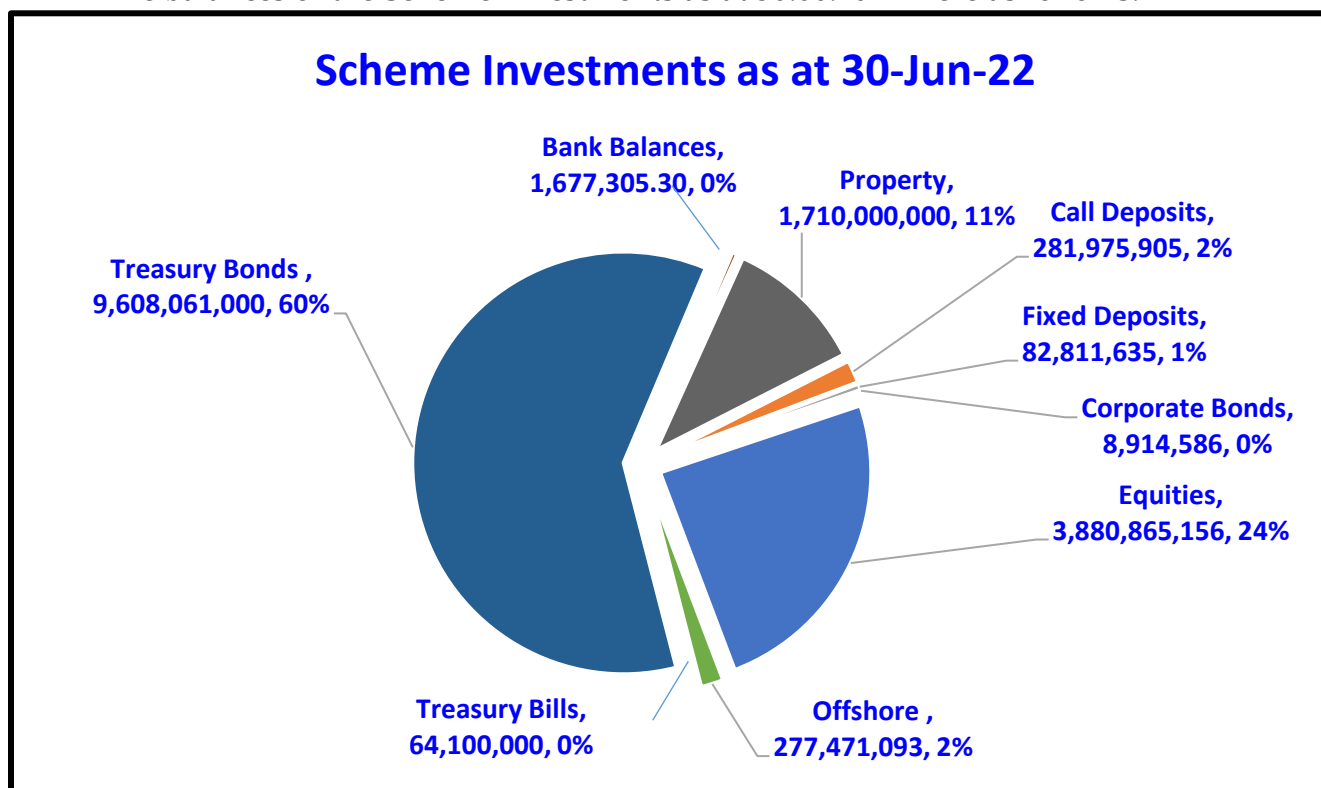
- (i) The second and final term for Prof. Stephen Luketero, a representative of the Academic Staff ended on 6th May 2022.
- (ii) Online elections were carried out successfully and Dr. Caren Angima was elected to represent the Academic Staff for a period of three years.

2.4 Scheme’s Fund Value

- (i) The Scheme’s assets held by the Custodian as at 30th June 2022 were valued at Kshs. 15,918,401,718 down from Kshs. 17,378,178,046 for the previous year ended 30th June 2021 (unremitted contributions of Kshs. 5,533,486,000 not included).
- (ii) The reduction of the fund value was due to the negative change in valuation of shares, treasury bonds and offshore investments for the year ended 30.06.2022 as compared to the previous year as reflected below:-

Investment Class	Change In Value- Kshs. 2021/2022	Change In Value- Kshs. 2020/2021
Quoted Equities	(1,064,630,000)	1,078,991,000
Treasury Bonds	(425,605,000)	(39,619,000)
Offshore	(83,334,000)	63,387,000

The balances of the Scheme Investments as at 30.06.2022 were as follows:-



All investments were within the RBA Guidelines.

2.5 Rate of Return

- (i) In the year ended 30th June 2022, the Trustees declared a rate of return of negative 1.7% p.a. for registered statements, down from positive 15.4% p.a. for the year 2021.
- (ii) For the unregistered statements, the Trustees declared a rate of return of negative 5.7% p.a. down from positive 12.3% p.a. for the year 2021.
- (iii) Members were explained that the Russia's invasion of Ukraine had affected the global financial/economic environment negatively which in turn had affected the scheme investments negatively leading to the negative rate of return.
- (iv) Based on the actuary's advice, the Scheme no longer maintained a reserve account and therefore what the scheme earned is what is declared to members.
- (v) As per a report released by RBA, the six months ending 30.06.2022 were difficult for the pension industry as assets under management shrank by KShs. 33.4 billion due to volatility in the financial markets and national political campaigns.

2.6 Changes to the Benefits & Contributions Structure

There were no changes to the benefits and contributions structure and the contributions rates during the year remained as follows:-

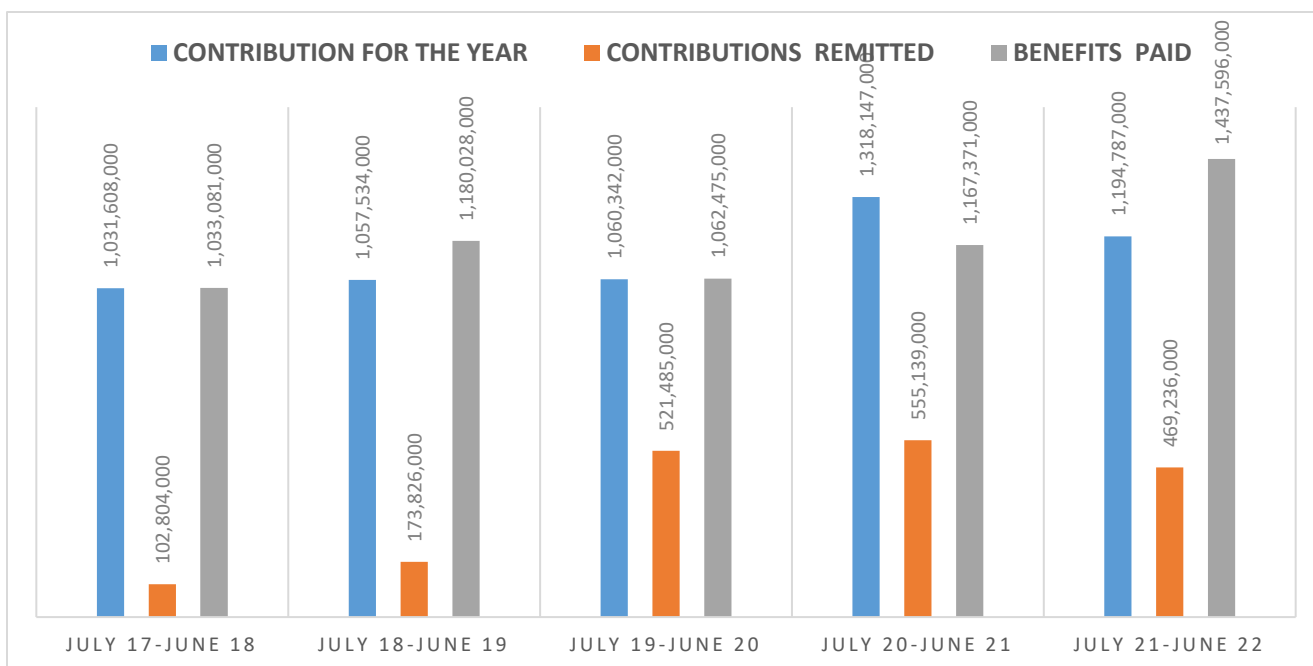
- Employer 20% of basic salary
- Employee 10% of basic salary

2.7 Unremitted Pension Contributions

- (i) The balance on unremitted contributions as at 30.06.2022 was KShs. 5.533 billion.
- (ii) The Sponsor had been remitting the 10% employee portion of contributions in addition to paying outstanding pension contributions for retiring or exiting members so that retiring/exiting members are paid all their accrued benefits.
- (iii) Despite the unremitted contributions being 26% of the scheme's fund value as at 30.06.22, the Scheme had continued to pay the retiring/exiting members efficiently and in a timely manner.

- (iv) The Trustees had requested the Sponsor to hasten preparation of a revised feasible remedial plan as required by RBA so that the Scheme operations are not adversely affected.

2.8 Contributions versus Benefits Paid



The pension scheme being an aging scheme (more members are retiring), payouts will continue to be more than the contributions and therefore the Trustees adopted a conservative approach to investments by investing more in fixed income investments so that money is available as and when required.

2.9 Unidentified Bankings-Kshs. 8,614,917.70

- This was money that had been deposited into the Scheme's current bank account without details of who had deposited it;
- The payees had not been identified and therefore those amounts had not been posted into any members statement;
- These monies were likely to be transfers from other pension schemes for members who joined the University from other employers;
- Members who had joined the University from other employers were encouraged to scrutinize their statements to ensure monies transferred from their earlier Scheme's had been posted into their accounts;
- The list of the unidentified bankings had been circulated to members for identification and was also reflected on Note 33 of the audited financial statements;
- If no one laid claim to the monies, the amounts would be transferred to the Unclaimed Financial Assets Authority.

2.10 Scheme's Outlook

- The Trustees would continue to monitor the changes in the macro environment and align its investment strategies to take advantage of investment opportunities as well as mitigate against the investments risks;
- The Trustees had procured an appropriate pension administration software that would enable automation of all scheme's operations. Members will be able to transact with the Scheme at their convenience;
- The Trustees would continue to put pressure on the Sponsor to hasten the preparation of the feasible remedial plan that will ensure the unremitted pension contributions are paid;
- Members would be given continuous updates on any new changes to the Mortgage Regulations.

3.0 REPORTS ON INVESTMENTS

3.1 FUND MANAGERS REPORT

- The two Scheme's Fund Managers - Old Mutual Investments Group and Gen-Africa Asset Managers presented their report which had the following topics: -
 - Role of the Fund Manager*

- Brief review of operating environment & investment classes
- Investment Structure
- Investment Performance
- Prospects for 2022/23

(ii) Every Scheme was required under the RBA Act to appoint a Fund Manager. The role of the Fund Manager was as follows: -

- To advise the Trustees on the available investment options
 - » Fixed Income – Treasury bills & bonds, Commercial paper & Corporate bonds and fixed deposits.
 - » Equities i.e. shares, Offshore investments, Alternative Investments e.g. unlisted equities, & Private equity
- Invest scheme assets according to the approved investment policy.
- Constructing the Best Portfolio suitable for the market environment
- Report to the Trustees on the performance of the scheme funds.
- Submit appropriate quarterly returns to RBA
- Report to Scheme Members at AGM

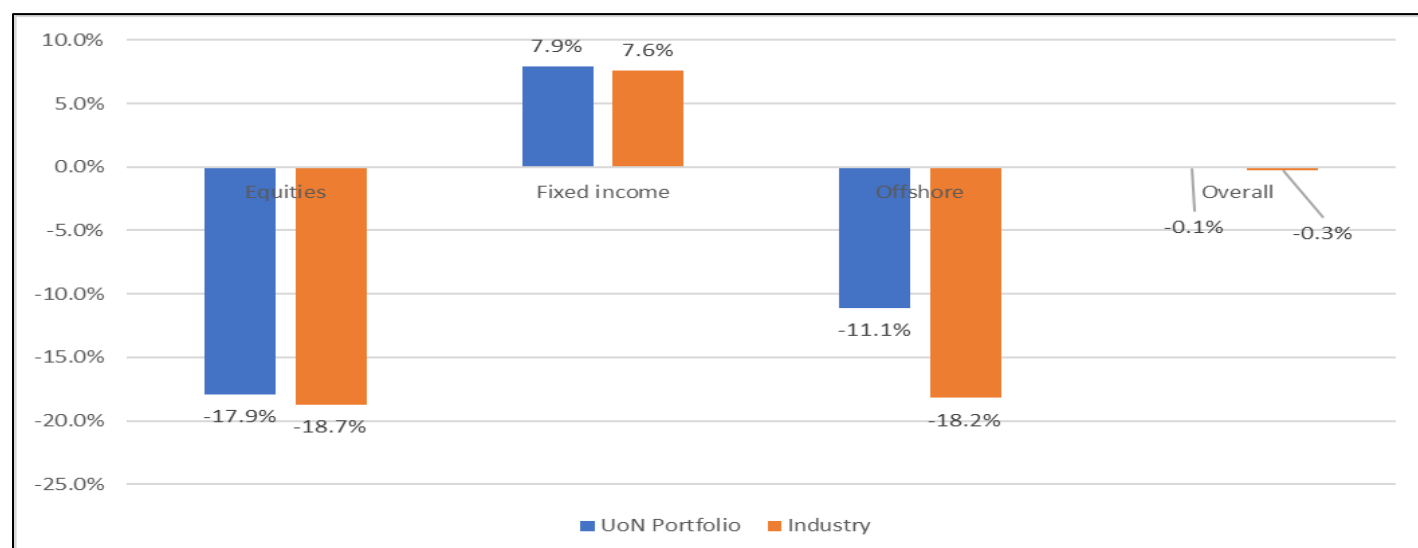
(iii) Fund Movement during the year

	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22
Opening Fund Value	13,251,230,849	14,048,043,409	13,885,443,584	14,227,845,872	15,688,747,468
Contributions	168,471,637	242,048,895	665,778,607	632,896,631	503,494,437
Withdrawal/Expenses	(1,222,503,632)	(1,477,488,801)	(1,313,077,161)	(1,647,891,502)	(1,801,105,540)
Investment growth	1,850,844,555	1,072,840,081	989,700,841	2,475,896,467	(90,854,212)
Closing Fund	14,048,043,409	13,885,443,584	14,227,845,872	15,688,747,468	14,300,282,154

	1 year	3 year	5 year
Portfolio return	(0.1%)	8.3%	9.3%
Inflation	7.9%	5.7%	5.8%

- Net negative cash flows (higher withdrawals compared to contributions) continued to have a negative impact on strategy implementation and overall portfolio returns
- The Scheme continues to make real returns over longer comparison periods

(iv) Portfolio Investment Performance - 12 Months to June 2022



- The 1-year to June 2022 gross median performance for all schemes within the industry was (0.3%).
- Your Scheme registered a gross return of (0.1%).
- FY 2022/23 return (1st July 2022 – 31st March 2023) has improved to 5.7%

(v) Outlook

GDP

- The growth was expected to be driven by resumption of economic activity, especially education, manufacturing and construction, service sectors and recovery of the agricultural sector aided by onset of the rains.

Inflation:

- Inflation was expected to remain elevated in the short term due to continued pressure from food and global oil prices.

Yields:

- With an increase in government borrowing appetite and the government's need to lengthen maturity profile, it was anticipated there would be an upward pressure on yields in the near term.

Currency outlook

- The shilling was expected to remain under pressure depending on the level of foreign investor flows and corporate dollar demand. However, support was expected from stable forex reserves and increased diaspora remittances.

Equities Outlook

- Equity prices had declined in 2022 due to global events: the Russia/Ukraine war and the rise in inflation. International investors had been net sellers.
- It was however expected there would be positive corporate earnings and dividend payments.
- Valuations were attractive and provided opportunities to increase positions in select quality names within the portfolio that had remained resilient.

3.2 PRESENTATION BY THE CUSTODIAN

- (i) The Scheme's Custodian - Standard Chartered Bank made their presentation, explaining that they were charged with the formidable responsibility of keeping the financial assets of the pension scheme safe and servicing the portfolios related to those assets, whether that be settling trades or collecting the income generated.
- (ii) Broadly, their core responsibilities as a custodian for the scheme included:-
- *Safekeeping/ Custody of scheme assets*
 - *Investment administration and*
 - *Asset servicing (for example: collecting dividend payments on shares and interest on bonds, deposits advising on the scheme's corporate action entitlements, etc.)*
- (iii) Their role as a Custodian was to ensure that the schemes assets were fully protected at all times. The statutory and professional obligations for custodians were as follows: -
- *must be licensed by Central Bank of Kenya as a commercial bank*
 - *must be licensed by the Retirement Benefits Authority (RBA)*
 - *must be licensed by the Capital Markets Authority (CMA) as an Authorized Depository Agent (CDA)*
 - *must maintain a segregated bank account for a Pension scheme/ Provident Fund and ensure the Scheme funds are credited to scheme's account(s)*
 - *periodically report to the Trustees regarding the transactions on scheme funds*
 - *Keep proper books of record of the fund indicating the portfolio held and investment activity*
 - *Maintain technical capacity and adequate operational system*
- (iv) The Custodian confirmed that the Assets for the Scheme as at 30.6.2022 were as follows:-

ASSET CLASS	MARKET VALUE 30.06.2022	RATIO OF TOTAL HOLDINGS
BANK BALANCE	1,677,305.30	0.01%
CALL DEPOSITS	281,975,904.63	1.77%
FIXED DEPOSITS	82,811,634.55	0.52%
CORPORATE BOND	8,914,585.83	0.06%

EQUITIES	3,880,865,155.71	24.38%
GLOBAL/OFFSHORE INVESTMENTS	277,471,092.60	1.74%
GOVERNMENT SECURITIES(T/BILLS & T/BONDS)	9,674,686,039.28	60.78%
PROPERTY/ REAL ESTATE INVESTMENTS	1,710,000,000.00	10.74%
TOTAL	15,918,401,717.90	100.00%

4.0 REPORT ON AUDITED ACCOUNTS - BY EXTERNAL AUDITORS

The Scheme's External Auditors, Office of the Auditor General (OAG), presented the Report on Audited Accounts for the financial year ended 30th June 2022. The Auditor's report for the year ended 30.06.2022 was qualified on the following basis:

(a) Long outstanding pension contributions-Kshs. 5,533,486,000

The Sponsor had not provided any remedial plan for settlement of the long outstanding employer contributions to the Scheme. The valuation of contributions receivable from the Sponsor had not been done in line with the International Financial Standards (IFRS) 9 as there has been no provision for Expected Credit Loss (ECL).

(b) Unsupported Journal Entries in the ledger

Journal entries that had been done during the year 2021/2022 had not been approved before they were processed in the accounting system.

(c) Lack of Bad debts policy

The scheme did not have a bad debts policy to determine the provision for bad debts and impairment loss on the other receivables reflected in the financial statements.

5.0 PRESENTATION BY RETIREMENT BENEFITS AUTHORITY

(i) The role and objectives of RBA was to:-

- **Regulate and supervise** *the establishment and management of retirement benefits schemes;*
- **Protect** *the interests of members and sponsors of retirement benefits sector;*
- **Promote** *the development of the retirement benefits sector*
- **Advise** *the Cabinet Secretary, National Treasury on the national policy to be followed with regard to retirement benefits industry*
- **Implement** *all government policies relating to the industry*

(ii) Scheme Compliance

- All statutory returns had been submitted
- Investments had complied with the Investment guidelines
- Trustees had complied with the disclosure requirements of the Good Governance Guidelines for Pension Schemes
- Issues of concern were :
 - **Unremitted contributions of Kshs 5,625,843,305 (Sept 22)**
 - **This was 26% of the Fund assets**
 - **No remedial plan from Trustees and Sponsor**

(iii) Prudential Regulation - Key Changes

(a) 2018-2020 Under Implementation

- ✓ 2018 PRMF Updates - 10% Benefits or AVC (ER may match) to a Fund
- ✓ 2018-19 Sanctions - Various e.g. late submissions, Contributions
- ✓ 2020 (2021 Sept) Mortgage Regulation. - 40% max 7m or Purchase Price
 - complete House, ready for occupation
 - Can add AVC up to 100%
 - Can access joint benefits with spouse, per scheme rules
 - Encumbrance of Title

Court ruling of 23rd November 2022 has declared the amendment and Regulations unconstitutional

(b) 2021 Under Implementation

- ✓ **Appointment of KRA as Agent** – Trustees to seek approval to appoint KRA as an agent to collect and recover unremitted contributions, interests, and penalties. Section 53B of the Act; KRA empowered to:
 - issue a 21-day notice to the defaulting employer
 - serve employer and the employers bank with an agency notice;
 - attach the bank accounts of the defaulting employer; and,
 - remit the attached funds to the Scheme, within thirty days.
 - charge cost of the recovery to the defaulting employer.
- ✓ 50% Preservation rule reinstated i.e. 50% of Accrued benefits
 - Previously was 100% own contribution and 50% of employer’s contribution AVC still allowed 100% withdrawal

(c) 2022 Under Implementation

- ✓ Legal Notices 71, 72, 73 and 74. Gazette Supplement No, 70 dated 14th April 2022. Effective date 4th April 2022.
- ✓ Net rate of return credited to the member’s account- as part of the minimum disclosures in financial statements and part of the AGM agenda.

(d) Upcoming Regulations

- ✓ Corporate Trustee Regulations : CT required to register with RBA
- ✓ Stand-Alone Post-Retirement Medical Schemes Regulations
- ✓ Income draw down Regulations

6.0 MINUTES OF AGM HELD ON 18.12.2021

(i) CONFIRMATION OF MINUTES

The minutes of the AGM held on 18.12.2021 were confirmed as a true record of the proceedings of that meeting. There were proposed by Prof. Julius Mwabora P/No. 155500 and seconded by Mr. Jacob Tolo P/No. 191850.

(ii) MATTERS ARISING

(a) Election of Academic Member Representative

The term for Prof. Luketero ended in May 2022. Dr. Caren Angima from School of Business was elected to represent the Academic Staff for three years.

(b) Nomination of Sponsor Representative Trustees

The Sponsor in September 2022 nominated Cs. Abdi Hassan, Hon. CPA Flora Maghanga Mtuweta and Mrs. Alison Kariuki to be Sponsor Trustee representatives. They ceased to be Trustees after they were replaced as Council members on 22nd May 2023.

(c) The Retirement Benefits (Mortgage Loans) (Amendment) Regulations, 2020 (Legal Notice No. 192 of the 14th September 2020).

- The Scheme implemented the above regulations and six members of staff had successfully applied to access their 40% of their pension benefits.
- However, on 23rd November 2022, the Courts passed a ruling prohibiting the implementation of the regulations and therefore the Scheme had stopped processing any applications to access the 40% accrued benefits.

(d) Trustees Remuneration Policy

- During the last AGM, the members had unanimously approved that the Chairman of the Board of Trustees be paid an allowance of Kshs. 50,000 per quarter.
- Retirement Benefits Authority (RBA) declined to approve this allowance and instead approved that the Chairman be paid an additional Kshs. 8,000 to the sitting allowance.

- RBA also disallowed some allowances the Trustees had been receiving such as Christmas vouchers, farewell gift, and this was adopted and implemented by the Board.

(e) Holding AGM on a week day

- The Trustees had been requested by the members of the SDA faith to consider holding the AGM on a week day instead of Saturday.
- The Board had considered and agreed that AGM's would be held on weekdays.

7.0 QUESTIONS & ANSWERS

The Chairman conducted the session of "Questions and Answers" and members were responded to adequately .

8.0 VOTES OF THANKS

Mr. Meshack Juma gave a vote of thanks and the meeting ended at 3.00 p.m. with a word of prayer from one of the members.



APPROVED FOR ISSUE

DATE 10th July 2023

CONFIRMED IN THE NEXT MEETING

DATE _____