

**MINUTES OF THE 14<sup>TH</sup> ANNUAL GENERAL MEETING OF THE KENYA POWER &  
LIGHTING COMPANY PLC STAFF RETIREMENT BENEFITS SCHEME HELD ON 2<sup>ND</sup>  
OCTOBER 2020 AT 9.00 A.M. VIRTUALLY VIA ZOOM WEBINAR**

**Present**

- |                    |   |                           |
|--------------------|---|---------------------------|
| 1. Sammy Oduori    | - | Chairman                  |
| 2. Ernest Nadome   | - | Trustee                   |
| 3. Kosgey Kolil    | - | Trustee                   |
| 4. Cecilia Kalungu | - | Trustee                   |
| 5. Imelda Bore     | - | Trustee                   |
| 6. Edwin Ruttoh    | - | Ag. CEO & Trust Secretary |

**Apologies**

- |                                  |   |         |
|----------------------------------|---|---------|
| 1. Bernard Ngugi                 | - | Trustee |
| 2. Mohammed Somo                 | - | Trustee |
| 3. Retirement Benefits Authority |   |         |

**Service Providers:**

- |                     |   |  |
|---------------------|---|--|
| 1. Eric Gicharu     | - | External Auditor, Ernst & Young        |
| 2. Neel Gudka       | - | Actuary, Zamara Actuaries              |
| 3. James Kinuthia   | - | Actuary, Zamara Actuaries              |
| 4. Barack Obatsa    | - | Fund Manager, ICEA Lion Asset Managers |
| 5. Dan Gathogo      | - | Fund Manager, Sanlam EA Investments    |
| 6. Nicholas Musyoki | - | Custodian, Stanbic Bank                |
| 7. Amos Ogwang'     | - | Custodian, Standard Chartered Bank     |

**Members**

As per the attached registration list

**Min. RBSAGM/01/20 – Opening remarks**

The AGM began at 9:05am with a prayer led by Joseph Mitito, a member of the Secretariat. The Chairman welcomed the members to the 14<sup>th</sup> Annual General Meeting (AGM) of the Fund and noted that the meeting was quorate and duly constituted.

The Chairman introduced the Trustees, and the service providers present. He then invited the Trust Secretary to read the notice convening the meeting.

### **Min. RBSAGM/02/20 – Year 2019 Chairman’s Report**

The Chairman presented the Annual Report of the Scheme for the year ended 31<sup>st</sup> December 2019. Highlights of the report are as follows:

- ✓ The global economy recorded its slowest pace ever since the global financial crisis of 2008. The Sub-Saharan African region remained resilient growing by 2.4% during the period under review compared to a growth of 3% in 2018.
- ✓ Kenya’s gross domestic product growth (GDP) was subdued during the year, estimated at 5.7% in 2019 compared to 6.3% in 2018.
- ✓ Inflation was 5.8% in 2019 compared to 4.7% in 2018 and the Shilling strengthened by 0.5% against the USD in 2019.
- ✓ In the quoted equities market, the performance benchmark indices registered growth, compared to the year 2018.
- ✓ The bonds turnover edged up 15.8% to settle at Kshs. 1.3 trillion from Kshs. 1.1 trillion recorded previous year due to increased reallocation of funds to fixed income asset.
- ✓ Private Equity and venture capital industry continued to grow exponentially, and it was expected that 2020 would be better despite global macroeconomic headwinds.
- ✓ The real estate sector recorded an average growth of 4.8% which was 0.3% points higher than the same period in 2018.
- ✓ The average rental yield declined by 0.4% compared to 2018. According to quarter 3, 2019 Hass Composite Property Sales Index, residential properties prices fell by 3.4%, which was a consecutive quarter decline after falling by 3.2% in quarter 2 2019.
- ✓ The Fund delivered a good performance, challenges notwithstanding. The Fund achieved an annual return on investments of 10.53% for the year ended 2019. The total market value of the Fund’s assets increased by Kshs 0.50 billion from Kshs 18.96 billion to Kshs 19.46 billion.

The members were informed that in the Budget Statement for the Fiscal Year 2019/2020 various amendments were introduced to the Occupational Retirement Benefits Schemes. The changes, which mainly affected the DC Scheme, would, among others, allow members to make additional voluntary contributions (AVCs) for purposes of funding a post-retirement medical scheme.

The Chairman reported that during the year, the Fund participated in the Financial Reporting (FiRe Awards) and emerged the first Runners Up in the Not-For-Profit category.

He underscored the commitment of the Board of Trustees to prudently invest available funds and maintain the highest level of corporate governance and risk management. He also assured members that the Trustees would continue to implement strategies as outlined in the 2016-2020 Strategic and Operational Strengthening Plan, as it pursues the Fund's vision of becoming the best-in-class occupational scheme in Africa.

The Chairman concluded by thanking the members for their goodwill, the Trustees for their support, and all other stakeholders for their contributions during the year towards attainment of the Fund's objectives. He also acknowledged the Sponsor for the immense contribution made to the sustainable growth of the Fund, and the Secretariat for the relentless effort in managing the Fund's day to day operations.

#### **Min. RBSAGM/03/20 – Report on Changes to the Benefits and Contribution Structure**

The Chairman informed the members that there were no changes to the Fund benefits and contributions during the year 2019.

#### **Min. RBSAGM/04/20 – Report on Remuneration of Trustees**

The Chairman reported that during the year under review the Board of Trustees had held meetings as follows:

Full Board Meetings	:	10
Risk & Audit Committee	:	4
Strategy, Finance & Investment Committee	:	6
Project Implementation Committee	:	3
Governance, HR, Staff & Compensation Committee	:	16

The total Trustees' sitting allowance for the year 2019 was Kshs.11.39 million. During the year, Trustees were paid Kshs. 19,600 net of taxes for each Board meeting attended while the Chairman of the Board as well as the Chairmen of the Committees received Kshs.

25,200 net of taxes owing to the additional roles. It was recommended that the existing remuneration levels be maintained in the subsequent period.

### **Min. RBSAGM/05/20– Auditor’s Report**

The auditor’s representative, Eric Gicharu, presented the audited report for the year 2019. It was noted that the financial statements were signed by the Trustees on 27<sup>th</sup> March 2020 and by the Auditors on 31<sup>st</sup> March 2020. He confirmed that the Trustees had kept the books of accounts well and that the accounts were a true reflection of the financial affairs of the Scheme and as such, the Auditor had provided an unqualified report. He reported that the audited accounts were filed with the Retirement Benefits Authority as required.

### **Min. RBSAGM/06/20 – Investment Management Report**

The Investment Manager’s representative, Dan Gathogo, presented the investment report for the year ended 31<sup>st</sup> December 2019. The members noted that some of the key roles of the Fund Manager were to advise the Trustees on the available investment options, investment of scheme assets according to the approved investment policy, report to the Trustees on Fund performance and submit appropriate quarterly returns to RBA.

The Investment Manager reiterated the outlook and performance for the year 2019 as contained in the Chairman’s report. The members noted that the Fund registered a good performance in the year 2019.

The members were informed that 35.6% of the asset portfolio had been invested in Government securities, 19.5% in equities, 2% in corporate bonds, 3.2% in deposits, and 39.7% in property. The investment return for the year was 10.5%. The performance was second best in the last five years attributable to the bond market and quoted equities.

In terms of outlook for the year 2020, the members were informed that the Covid-19 pandemic had greatly affected the economy and thus, earnings particularly in stock market would be negatively affected. However, fixed income, especially treasury bonds, would continue performing well. The overall Fund was thus expected to generate positive returns in the year 2020.

Mr. Nicholas Musyoki from Stanbic Bank reported to members regarding the custodial services. The members noted that a custodian is regulated by the Capital Markets Authority, Central Bank of Kenya, and the Retirement Benefits Authority. The role of the custodian was noted to include safe keeping of the Fund’s assets, settlements, collection of dividends, rental income as well as reporting to Trustees and the

members. The Custodian confirmed that the assets as presented by the Fund Managers were in safe custody.

### **Min. RBSAGM/08/20 – Sponsor’s Remarks**

Ms. Cecilia Kalungu, on behalf of the Sponsor, acknowledged that the Fund offered critical services to members. She stated that the Sponsor was keen to ensure that its employees live comfortably after retirement. The Sponsor therefore pledged to continue supporting the scheme to promote the welfare of its members of staff.

### **Min. RBSAGM/09/20 – Question and Answer Session**

#### **1. A member inquired about the status of the medical insurance cover for the retirees**

The Trust Secretary responded that UAP and Jubilee Insurance were the contracted medical service insurance providers. The members were informed that the medical cover earlier offered by NHIF was no longer available and its premiums had risen significantly. The Fund had initiated discussions with NHIF aimed at negotiating for a favourable cover for the retirees.

The retirees were urged to note that insurance premiums were based on previous claims, and to be able to enjoy affordable premiums in subsequent years, they ought to manage their medical claims by utilizing services at reasonably priced medical providers.

#### **2. A member requested that bus fare refunds for members attending retiree seminars be increased.**

The member was informed that refunds were made based on receipts produced by the members.

#### **3. A member sought to know whether there were any trainings in place for members.**

The member was informed that the Fund, as a statutory and policy requirement, conducts trainings/ education for the Trustees and members on a regular basis. Trainings had not been conducted in 2020 due to the Covid-19 pandemic but would resume as soon as the situation improved.

#### **4. A member sought to know whether the Fund was stable enough to survive the Covid 19 Pandemic.**

The member was assured that the Fund was stable, well performing and would continue to meet its obligation to pay pension benefits into the future. The members would be updated more on the status of the Fund during member education days.

**5. A member sought to know whether he could utilize the accrued benefits to purchase a house.**

The Trust Secretary responded that regulations were issued in September 2020 allowing members to utilize up-to 40% of their accrued retirement benefits to purchase a residential house. The Fund had commenced the process of reviewing the Trust Deed & Rules and would soon communicate the requirements that would apply for one to qualify to use his/her benefits for the purpose of mortgage loans.

**6. A member sought to know whether the Fund could conduct member identification/registration virtually instead of requiring them to physically present themselves at the Fund's offices.**

The member was informed that the biometric verification was an annual exercise done to confirm existence of the members. It was noted that arrangements were in place for Secretariat staff to register members at designated KPLC regional offices. There would also be mobile registration at various places in the country. The Fund was also exploring other options including voice verification system to be used in future exercises.

**7. A member requested that unionized employees be allowed to directly elect their representatives to the Board of Trustees.**

The member was informed that the Fund's policy on election recognizes KETAWU has a nominating entity of the trustees representing union staff and was in line with the KETAWU's constitution. Therefore, the member was advised that the issue would be properly addressed if channeled through KETAWU.

**8. A member sought to know whether retirees could be granted loan facilities from the Fund.**

It was noted that the Scheme was regulated by the Retirement Benefits Authority which prohibits the use of Scheme funds for any purpose other than investment, mortgage, medical cover, and payment of pensions to retirees.

**9. A member sought to know how often pension entitlements are reviewed.**

The Chairman responded that the Fund has provided a guaranteed annual review of 3% for members in pre-1999 service. Discretionary pension increases are done as and when the results of the tri-annual actuarial valuations are favourable.

**10. A member requested that the Fund considers employing qualified children of former members whenever vacancies arise.**

The member was informed that the Fund was not able to accommodate retiree's children. However, the Board of Trustees would suggest to the Sponsor that when and where possible, preference to children of former employees who have the requisite qualifications and competencies be considered.

**11. A member inquired why their pension is taxed yet the scheme is tax exempt.**

The Trust Secretary pointed out that in accordance with the tax laws, one is exempted from tax for contributions into the scheme up to Kshs.20,000 per month. However, withdrawal of funds after retirement attracts tax but at rates more favourable than PAYE. Members were informed that the Fund continually engages KRA and various pension industry players to lobby for better tax incentives.

**12. A member sought to know how biometric registration would be done for members who are incapacitated.**

The Trust Secretary responded that such members were still allowed to submit hard copy certificates of information and a report form signed by their attending doctor.

**13. A member asked why employees on Permanent and Pensionable terms and are members of the Scheme were not being allowed to sit in the Board of Trustees in place of top management contract staff who were not members of the Scheme.**

The Sponsor responded that senior members of Kenya Power management team were appointed as members of the Board of Trustees, to ensure that the Scheme is well protected and that the Funds in the Scheme, a portion of which is the sponsor's contribution, is secured. It also enhances efficiency in decision making and assists the sponsor in making strategic decisions relating to its employees.

**14. A member sought to know when the Provident Fund would be wound up and members paid.**

The member was informed that the DB Trustees had resolved to wind up the Provident Fund. Following approval from the Sponsor, Ernst & Young was appointed in October 2019 to handle the process. Reconciliation of PFA accounts had been concluded and submitted to the Retirement Benefits Authority (RBA) as required by the law. The liquidator was in the process of preparing payment schedules for the different categories of PFA members. Once concluded, members would be updated accordingly through text messages, emails, and telephone calls.

It was noted that the PFA balances for members who were still in-service would be transferred to their individual accounts within the DC Fund.

**Min. RBSAGM/10/20 – Any other Business**

The Chairman asked the members to note the annual report which had been circulated prior to the meeting as having been received and adopted. He thanked the members for attending and actively participating in the AGM, the Sponsor for the continued support and guidance, Board of Trustees, the Retirement Benefit Authority, the Service Providers, and the Secretariat for their prudent management of the Fund.

There being no other business, the meeting ended at 10:45am.

APPROVED FOR CIRCULATION.

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**EDWIN RUTTOH**  
**SECRETARY**

CONFIRMED AT MEETING.

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**SAMMY ODUORI**  
**CHAIRMAN**