

PENSION PULSE

Welcome to the Pension Pulse

We're excited to introduce the fresh new look of our newsletter, **Pension Pulse**. Designed with you in mind, this revitalized newsletter will deliver the latest updates, important news, and valuable insights about your pension in a clear, engaging, and timely way. Stay connected and informed with every issue!

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MEMBER EDUCATION 2025: EMPOWERING YOU COUNTRYWIDE

The Fund has been conducting a series of member education seminars nationwide to sensitize members on key fund matters.

These sessions focus on fund performance, products and services, and other important updates about the Fund, helping members stay informed and make sound decisions.

Currently, the seminars are ongoing and targeting in-service members, with the exercise scheduled to run until November. Through this initiative, KPPF continues to demonstrate its commitment to transparency and active engagement with members across the country.

Understanding the Net Replacement Ratio (NRR)

The Net Replacement Ratio (NRR) is a key metric used to determine how well your retirement income will replace your pre-retirement earnings. It is expressed as a percentage and indicates how much of your current income you will receive once you retire.

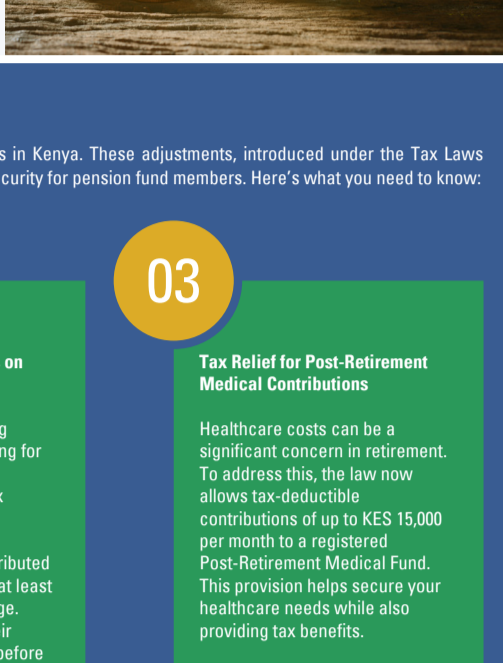
Why Is the NRR Important?

Financial experts generally recommend aiming for an NRR of around 70%. This means that if you earn KSh 100,000 per month before retirement, you would need about KSh 70,000 per month in retirement to maintain a similar standard of living. This percentage considers expenses that may decrease (like work-related costs) but also takes into account ongoing needs such as healthcare, daily expenses, and leisure activities.

Achieving the Recommended 70%

To ensure you achieve this recommended NRR, it's crucial to plan ahead. While your pension from the Income Drawdown Fund provides a steady income, it may not be sufficient on its own to reach the 70% mark. Therefore, making Additional Voluntary Contributions (AVCs) can significantly enhance your retirement income.

By increasing your contributions now, you boost your retirement savings and give your funds more time to grow. This proactive step can make a substantial difference when it comes to maintaining your current lifestyle after you retire.



Tax Changes That Impact Your Retirement Savings

In recent months, there have been important changes to pension-related tax regulations in Kenya. These adjustments, introduced under the Tax Laws (Amendment) Act, 2024, aim to encourage retirement savings and offer greater financial security for pension fund members. Here's what you need to know:

- 01 Higher Tax-Deductible Pension Contributions:** One of the most significant changes is the increase in the annual tax-deductible limit for pension contributions. Previously, you could deduct up to KES 240,000 per year (or KES 20,000 per month) from your taxable income. Now, this limit has been raised to KES 360,000 per year (or KES 30,000 per month). This increase means you can save more for retirement while also reducing your taxable income. If you haven't already, consider reviewing your current contribution levels to take full advantage of this new limit.
- 02 Expanded Tax Exemptions on Pension Withdrawals:** Good news for long-serving members and those planning for early retirement! The new regulations now extend tax exemptions on pension withdrawals to:
 - Members who have contributed to a pension scheme for at least 20 years, regardless of age.
 - Individuals accessing their pension due to ill health before reaching retirement age.
 - Retirees withdrawing funds after reaching the retirement age specified by their scheme, even if under 65.
 This change offers greater flexibility and ensures that a member can access their funds without unnecessary tax burdens.
- 03 Tax Relief for Post-Retirement Medical Contributions:** Healthcare costs can be a significant concern in retirement. To address this, the law now allows tax-deductible contributions of up to KES 15,000 per month to a registered Post-Retirement Medical Fund. This provision helps secure your healthcare needs while also providing tax benefits. If you haven't started saving specifically for post-retirement medical expenses, now is a great time to consider doing so.

Consider Additional Voluntary Contributions (AVCs)

With these new tax benefits, increasing your contributions through AVCs is a smart move. AVCs can help bridge the gap between your current savings and the recommended Net Replacement Ratio (NRR) of 70%. This ratio ensures that your retirement income is sufficient to maintain your pre-retirement lifestyle. Taking advantage of the higher tax-deductible limits now will help you build a more substantial retirement fund, giving you financial peace of mind when you need it most.

If you have any questions or need guidance on adjusting your contributions, our team is here to help.

The Post Retirement Medical Fund (PRMF)

Medical expenses are among the biggest financial burdens individuals face in retirement. Chronic conditions such as arthritis, dementia, diabetes, hypertension, renal failure, and cardiovascular diseases become more prevalent with age, making quality healthcare extremely essential and yet very expensive. Most retirees struggle to maintain medical insurance due to age restrictions or high premiums, forcing them to dip into their pension savings, liquidate precious assets or rely on family and well-wishers. Such challenges can quickly deplete a pensioner's savings and plunge them into long-term financial insecurity.

In response to the concerns raised by the retirees, and furtherance to Regulation 4 of the Retirement Benefits (Post Retirement Medical Fund) Guidelines 2018, the Fund established the Post Retirement Medical Fund (PRMF) which became effective on 1st June 2024 following approval by the Retirement Benefits Authority. The PRMF was officially launched during this year's Annual General Meeting (AGM) which was held on 11th July 2024 at Sarova Woodlands Hotel, Nakuru.



How Does the PRMF Work?

The PRMF is a plan into which members can make monthly contributions while in employment for the purpose of accumulating savings that will later be used for their health care coverage in retirement. All members of the DC Fund are eligible to join the PRMF, and they can do so by filling in an application form and advising on the monthly contributions they wish to make.

Contributions to the PRMF are in the form of additional voluntary contributions (AVC) that are extra to the mandatory 5% employee and 10% employer contributions. The AVC contributions can be:

- A shilling amount or a fixed percentage of basic/pensionable salary
- Targeted to achieve a certain level of benefits at retirement or non-targeted with flexible contributions based on affordability.

For members who are approaching retirement and therefore do not have much time to accumulate substantial savings, such members are allowed to transfer a maximum of 10% of their accrued pension benefits and/or 100% of their accrued additional voluntary contributions (AVC).

Why Join PRMF?

Enrollment into PRMF is anchored on the following three key benefits:

- 01 Tax Advantage:** Monthly contributions of up to KShs 15,000 are tax deductible as per the Tax Laws (Amendment) Act 2024 that came into effect on 27th December 2024. Income earned from the PRMF is also exempt from tax.
- 02 Creation of a Medical Kitty:** By accumulating savings while still in active employment, members can reduce the financial strain of healthcare costs on their retirement income.
- 03 Peace of Mind:** Knowing that there are funds available for medical expenses will provide retirees with peace of mind.

PLAN FOR YOUR FUTURE TODAY

It's never too early to start building your retirement healthcare fund. You are encouraged to enroll in the PRMF to secure your health care needs in retirement as you take advantage of the tax benefits presently provided under the Income Tax Act.

For more information about the Post Retirement Medical Fund, feel free to reach out to us at contact the Secretariat via email info@kppf.co.ke, cell phone call [020902699](tel:020902699) or visit the KPPF offices at Stima Plaza Annex. PRMF application forms can also be downloaded from the Fund's website (www.kppf.co.ke)



UPDATE ON MEMBERSHIP AS AT 30TH JUNE 2025

DEFINED BENEFITS (DB) FUND

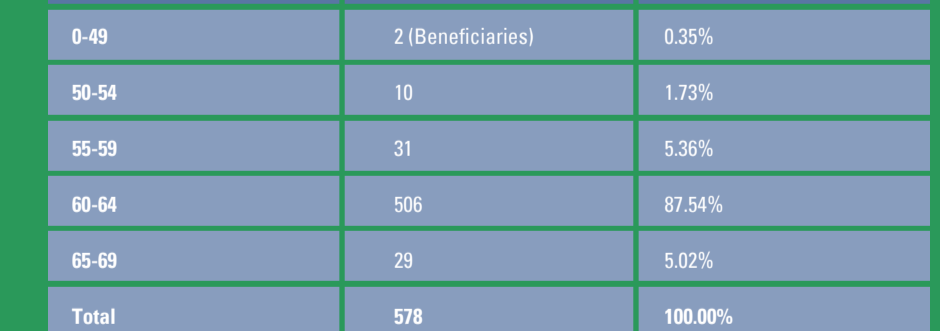
- In-service members – 1,321
- Deferred members – 118

Age Analysis For In-Service Members

Age Bracket	No. of Members	Percentage %
45-49	61	4.62%
50-54	316	23.92%
55-60	921	69.72%
Above 60	23	1.74%
Total	1,321	100.00%

Oldest Member: 64.53
Youngest Member: 45.53
Average Age: 56.27

Members who are above 60 years and living with disability, their retirement age was revised to 65 years in accordance with the law.



Pensioners

There were a total of 5,450 pensioners comprising of retirees and beneficiaries as shown in the table below.

Category	Number of Pensioners	Percentage %
Retirees	2,950	54.21%
Widow(er)s	1,810	33.21%
Orphans	690	12.66%
Total	5,450	100.00%

Age Analysis for Retirees



Majority of retirees are aged between 61-70 years with 103 retirees aged 80 years and above.

Pensioners Payroll for Quarter 2 2025 (April to June 2025)

Category	No. of Members	Gross Amount (KShs.)	Percentage %
Retirees	2,950	262,408,112.73	78.03%
Widow(er)s	1,810	67,422,390.44	20.05%
Orphans	690	6,470,620.31	1.92%
Total	5,450	336,301,123.48	100.00%

78.03% of the total pension payroll was paid to the retiree

DEFINED CONTRIBUTIONS (DC) FUND

- In-service members – 8,527
- Deferred members – 705

During the quarter, the number of in-service members decreased from 8,585 in Q1 2025 to 8,527 in Q2 2025.

Age Analysis for In-service Members

Age Bracket (Years)	No. of Members	Percentage %
25 - 29	102	1.20%
30 - 34	562	6.59%
35 - 39	1,608	18.86%
40 - 44	2,065	24.22%
45 - 49	1,757	20.61%
50 - 54	1,201	14.08%
55 - 60	1,205	14.13%
Above 60	27	0.32%
Total	8,527	100.00%

- Oldest Member 64.90 years
- Youngest member 25.49 years
- Average age 45.37 years

Employee and Employer Contributions Received for 2nd Quarter 2025

Month	Employee (Kshs)	Employer (Kshs)	AVC(Kshs)	Total
April 2025	39,560,497	79,120,994	6,835,451	125,516,941.92
May 2025	39,502,889	79,005,779	7,161,091	125,669,759.03
June 2025	39,866,848	79,733,696	7,243,679	126,844,222.57
Total	118,930,234.37	237,860,468.74	21,240,220.41	378,030,923.52

NSSF Tier II Employee and Employer Contributions Received

Kenya Power and Lighting Company PLC and Kenya Power Pension Fund received approval from the Retirement Benefits Authority to contract out NSSF Tier II with effect from November 2023 and September 2023 respectively.

The Fund Sponsors remitted the following NSSF Tier II contributions during the quarter;

	April 2025	May 2025	June 2025	Total
Employee	30,683,683.39	30,595,215.69	32,563,776.14	93,842,675.22
Employer	30,682,939.93	30,595,215.69	32,563,437.50	93,841,593.12
Total	61,366,623.32	61,190,431.38	65,127,213.64	187,684,268.34

INCOME DRAWDOWN (IDD) FUND

Active Retired members 578

During the quarter, the number of members in the Drawdown Fund increased from 578 in Q1 2025 to 578 in Q2 2025. This was attributed to the new retirees who opted to join the IDD Fund.

Age Analysis for Active Retired Members

Age Analysis	No. of Members	Percentage
0-49	2 (Beneficiaries)	0.35%
50-54	10	1.73%
55-59	31	5.36%
60-64	506	87.54%
65-69	29	5.02%
Total	578	100.00%

Members below 50 years are beneficiaries who opted to continue with retirees' drawdowns.

- Oldest Member 89.96 years
- Youngest member (beneficiary) 30.96 years
- Average age 61.54 years

Transferred Drawdown Benefits for 2nd Quarter 2025

Period	Transfer In (KShs)	Drawdown (KShs)
Balance 31st March 2025	2,239,532,106.70	405,378,292.52
Apr 2025	38,154,780.32	18,288,416.39
May 2025	76,560,071.03	18,611,875.32
June 2025	21,739,510.07	19,015,425.21
Total	2,375,986,468.12	461,294,009.44

The average drawdown rate for members in the fund was 10% as at 30th June 2025.

FUND PERFORMANCE

Defined Benefits (DB)

The overall Fund YTD return on investment as at 30th June 2025 stood at 6.8% against a strategic target of 53%. The Fund value remained stable at Kshs 14.7 billion as at 30th June 2025, due to positive investment income from Government Bonds and Quoted Equities during the period.

The Fund value and return comparison with previous periods are as shown below:

Defined Contribution (DC)

The overall Fund YTD return on investment as at 30th June 2025 stood at 11.1% against a strategic target of 6.7%. The Fund value increased from Kshs 20.65 billion as of 31st December 2024 to Kshs 22.65 billion as of 30th June 2025 due to additional contributions and investment income.

The Fund value and return comparison with previous periods are as shown below:

Income Drawdown (IDD)

The overall Fund YTD return on investment as at 30th June 2025 stood at 11.9% against a strategic target of 8.25%. The Fund value increased from Kshs 1.88 billion as of 31st December 2024 to Kshs 2.59 billion as of 30th June 2025 due to additional contributions and investment income.

The Fund value and return comparison with previous periods are as shown below:

Take Charge of Your Future

We encourage you to evaluate your current savings and consider making AVCs to secure your financial independence during retirement. If you need guidance on how to start or increase your contributions, our team is here to help.

If you have any questions or suggestions on how we can improve this publication, do not hesitate to reach out through: info@kppf.co.ke or [254711082700](tel:254711082700)