

**MACHAKOS UNIVERSITY STAFF RETIREMENT
BENEFITS SCHEME**

**STRATEGIC PLAN
2018 – 2022**

"Securing the future"

TABLE OF CONTENTS

LIST OF ABBREVIATIONS AND ACRONYMS.....	III
FOREWORD	IV
FOREWORD	V
PREFACE.....	VI
INTRODUCTION.....	VII
CHAPTER ONE: INTRODUCTION TO THE PENSION SCHEME	9
1.1 INTRODUCTION	9
1.2 BACKGROUND	9
1.3 STRATEGIC ORIENTATION OF THE SCHEME	9
1.3.1 VISION	9
1.3.2 MISSION	9
1.3.3 SLOGAN	9
1.4 CORE VALUES	10
1.5 CORE FUNCTIONS OF THE SCHEME	10
1.6 GOALS OF THE SCHEME	11
1.7 BROAD STRATEGIC OBJECTIVES OF THE SCHEME	11
CHAPTER TWO: RATIONALE FOR THE STRATEGIC PLAN	12
2.1 INTRODUCTION	12
2.2 RATIONALE FOR THE STRATEGIC PLAN	12
2.3 EXTERNAL ENVIRONMENT ANALYSIS	12
2.3.1 <i>Political Environment</i>	12
2.3.2 <i>Economic Environment</i>	13
2.3.3 <i>Social Cultural Environment</i>	13
2.3.4 <i>Technological Environment</i>	14
2.3.5 <i>Environmental Factors</i>	14
2.3.6 <i>Legal Environment</i>	14
2.3.7 <i>Risk Assessment and management</i>	15
2.4 STAKEHOLDER ANALYSIS.....	15
2.5 INTERNAL ENVIRONMENT ANALYSIS	20
2.6 ROLES AND RESPONSIBILITIES OF SERVICE PROVIDERS.....	20
2.7 SCHEME ANALYSIS.....	21
2.8 CUSTODY OF SCHEME ASSETS	21
2.9 MEMBER EDUCATION AND AWARENESS	21
2.10 AUDIT	22
2.11 SUBMISSION OF REPORTS	22
2.12 INSTITUTIONAL STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS	23
CHAPTER THREE: STRATEGIC OBJECTIVES.....	25
3.1 INTRODUCTION	25
3.2 STRATEGIC OBJECTIVE	25
3.3 STRATEGIC PLAN ASSUMPTIONS.....	27
CHAPTER FOUR: MONITORING AND EVALUATION FRAMEWORK	28

4.1 INTRODUCTION	28
4.2 REGULAR REVIEWS ON THE STRATEGIC PLAN	28
CHAPTER FIVE: LIST OF ANNEXURES	29
ANNEX I - RESULTS MATRIX (2018-2022)	29
ANNEX II – PLAN IMPLEMENTATION COST ESTIMATES (2018-2022)	32
FINANCIAL REQUIREMENTS FOR IMPLEMENTATION OF THE STRATEGIC PLAN ...	32
RESOURCE FLOW AND UTILIZATION STRATEGIES	32
RETURNS ON INVESTMENT	32
ANNEX III - RISK MANAGEMENT MATRIX	34

DRAFT

LIST OF ABBREVIATIONS AND ACRONYMS

AGM	:	Annual General Meeting
AVC	:	Additional Voluntary Contributions
BOT	:	Board of Trustees
CMA	:	Capital Markets Authority
DC	:	Defined Contributions
ICT	:	Information Communication Technology
IEC	:	Information Education and Communication
INCOME TAX ACT	:	Income Tax Act of 1973 Cap 470
IPS	:	Investment Policy Statement
IRR	:	Income Replacement Ratio
ISO	:	International Organization for Standardization
JD	:	Job Description
KRA	:	Kenya Revenue Authority
M&E	:	Monitoring and Evaluation
MUSRBS	:	Machakos University Staff Retirement Benefits Scheme
NSSF	:	The National Social Security Fund
NSSF ACT	:	The National Social Security Fund Act No.45 of 2013
RBA ACT	:	Retirement Benefits Act No. 3 of 1997
SLA	:	Service Level Agreements
SMIS	:	Scheme Management Information System
SMS	:	Short Messages Service
TDR	:	Trust Deed and Rules
TNA	:	Training Needs Analysis

FOREWORD

The **Machakos University Staff Retirement Benefits Scheme** herein referred to as "**the Scheme**" was established on **01 January 2013** as a Defined Contribution Pension Scheme and is governed by a Trust Deed & Rules dated **November 2013**.

The Scheme is approved by the Kenya Revenue Authority for purposes of tax exemption in accordance with the provisions of the income tax Act. In addition, the Scheme is registered by the Retirement Benefits Authority and is compliant with all the regulations. The contribution rates are at 10% of basic salary from employees and 20% of Salary from the employer. Upon reaching early retirement age of 50, a member is entitled to be paid the benefits as both lumpsum and monthly pension.

The Schemes' Governance structure has remained as stipulated in the Retirement Benefits Act 2000 and the Trustees have continued to operate within the approved legal framework. In supporting the scheme, both the Sponsor and the Trustees play key roles. The Trustees in particular have a general oversight role that ensures the fund increases in value and meets set objectives.

The **2018–2022 strategic plan** outlines an ambitious plan on how to grow and sustain the scheme funds and embrace technology for efficiency and effectiveness. To do this, five key pillars have been identified. This being the first strategic plan by the Scheme, challenges in terms of resources and capacity are likely to be experienced. In addition, the Scheme could also be faced with exogenous challenges as a result of the current dynamic economic and socio-political environment and Government policies. However, with the strong support and co-operation among the Trustees and the Management the expected obstacles and constraints can be overcome.

The commitment demonstrated by the various stakeholders this far is commendable. However, as a measure of injecting efficiency in the operations of the scheme, the Trustees will establish systems for monitoring and evaluation that shall objectively measure the performance of the service providers and ensure the Scheme remains true to its course.

Ultimately, this plan hinges on the realization of the vision "**A Secured Dignified Life in Retirement**" in line with ensuring a secure future for the scheme members.

I wish to call upon all our stakeholders and other collaborating institutions to accord the Board of Trustees of the Scheme maximum support as we navigate through this roadmap.

VICE CHANCELLOR

FOREWORD

The Machakos University Council on behalf of the members of staff wish to thank the MUSRBS Board of Trustees for their commitment to this planning process, for their patience and for their fortitude in seeing it through to the end.

The **Machakos University Staff Retirement Benefits Scheme Strategic Plan 2018–2022** outlines the strategic vision and goals that will help the Scheme realize its full potential and better fulfil its mission of safeguarding scheme funds through prudent investments and promoting member savings culture.

The process of formulating a Strategic Plan has provided an opportunity to take stock on past successes and failures, to determine the vision and future goals in the light of challenges ahead, and to put forward strategies for the Scheme's development not only in response to changing needs but also as an active and participating agent to drive social and economic changes that will guarantee our member financial security in retirement.

The strategic themes attest to commitment by the Trustees to achieve excellence through their core functions. We are sure that, with the collaboration of our able Board of Trustees, secretariat, service providers, members and University Council, the goals we aspire to accomplish will in time translate into milestones of which we can be proud. By investing in the future of MUSRBS, we are investing to build a better future for our members, their dependents and the community at large. I would like to invite you to join hands with us to as we embark on this transformational journey. May I thank you heartily for taking an interest in the future of MUSRBS and the stakeholders we serve.

CHAIRPERSON, MACHAKOS UNIVERSITY COUNCIL

PREFACE

The Machakos University Staff Retirement Benefits Scheme has been in operation over the years, under the management of various Trustees. During this period, the Trustees, Service Providers and other stakeholders operated without a strategic plan. It is for this reason that the current trustees have decided to develop the strategic plan 2018-2022 to guide the operations of the scheme over the next five years. This strategic plan will provide a roadmap with clear milestones that can be measured over time.

This plan is a product of a detailed participatory assessment of the internal and external factors that may influence the operations and performance of the Scheme. In addition, the plan has considered enablers entailing strengthening the governance structures, embracing technology, diversification of the investment portfolio and member education among others.

Broadly, the plan's key result areas are: registration of members; investment of funds; safeguarding of scheme assets; payment of benefits to members, promote member education and awareness creation; record management and submission of reports; monitoring, enhancement of Schemes operation and compliance with the provisions of both the Income Tax Act and the RBA Act and regulations.

The implementation of the Strategic Plan is reliant on an effective system of monitoring and implementation of the Scheme's overall strategic objectives. This will entail a continuous assessment of the strategic initiatives for each key result area. The Trustees will ensure that all the initiatives towards delivery of the desired results are aligned to the scheme's vision, mission and the core values by applying modern performance measurement tools during the planned implementation period. An elaborate communication strategy for both internal and external stakeholders will be established for purposes of updating them on progress made.

I wish to thank the Sponsor, the Board of Trustees and Service Providers for their unwavering support and active participation throughout the planning process. It is my hope that this spirit will be upheld during the implementation process and that all the stakeholders shall remain focused on the roadmap towards achievement of the set objectives.

CHAIRPERSON, BOARD OF TRUSTEES

INTRODUCTION

The main goal of the scheme is to provide retirement and other benefits for Machakos University Staff Retirement Benefits Scheme members and their respective dependents on a sustainable basis.

The broad objectives of the Scheme include:

- a. Preservation of Capital:** To ensure that the fund value does not decrease.
- b. Return on Investment:** To ensure a return on investment higher than the average annual return of all segregated funds as annually published over the five-year period.
- c. Long term Growth of Capital:** To ensure contributions are timely paid to the scheme for investments
- d. Liquidity:** To maintain easily disposable assets that enables the fund to meet all its cash flow obligations as and when required.
- e. Diversification of Assets:** To spread the schemes investments in line with the Investment Policy for effective investment risk management within the framework of the RBA investment guidelines
- f. Customer Satisfaction:** To achieve high standards of customer service to the members of the scheme

Over the years the Scheme has witnessed a remarkable growth in net value of its assets, rising to Approximately **Ksh. 361,868,617** as per the funds audited accounts, as at 30th June 2018. This remarkable growth rate has however been challenged by a number of environmental factors as outline herein. The scheme funds have been invested in various asset classes including:

- Cash and Call Deposit
- Fixed Deposits
- Corporate Bonds & Commercial Paper
- Treasury Bills and Treasury Bonds

The following is the summary of the scheme assets as at 30th June 2018: **Table 1**

Asset	% of Total	RBA Limits %
Cash & Demand Deposits	0.24%	5%
Fixed Deposits	7.13%	30%
Corporate Bonds & Commercial Paper	2.42%	30%
Government Paper	68.87%	90%
Equity	21.33%	70%
Offshore	0%	15%
Property	0%	30%
Guaranteed Fund	0.0%	100%
	100.00	

Investment of the scheme funds is affected by the trends in both the local and foreign markets. As a consequence, the performance of the fund is subject to the fluctuations in these markets.

- ❖ **Payment of benefits to members and their dependents:** Members of the scheme leaving on retirement grounds are paid a lump sum together with pension purchase. Those who exit before retirement date are paid as per the retirement benefits regulations. This in some cases impacts on the liquidity position of the scheme through sale of assets committed for long-term investments.
- ❖ **Management of Scheme Death Benefits:** In the event of death, Trustees have experienced challenges in identifying the right dependents where members have not dully completed or updated the nomination forms. In lieu of this, a Death Benefits policy will be adopted for consistency.
- ❖ **Members' education and awareness creation:** Member's education during Annual General Meetings and Education Day has not had a remarkable turnout and this should be encouraged to promote awareness.
- ❖ **Monitoring and evaluating scheme operations:** Currently, the Trustees monitor and evaluate the performance of service providers using various reports submitted.

The scheme has appointed the following service providers in line with the provisions of the Act;

- Scheme Administrator
- Fund Manager
- Fund Custodian
- Scheme Auditor

Since inception of the Scheme, the Trustees, Service providers and other stakeholders operated under the guidance of a legal regulatory framework with no strategic plan to guide its operations. The growth of the net value of the funds' assets and the challenges experienced have compelled the Trustees to devise effective strategies on the management of the fund to address the emerging issues. This is the basis of this 2018-2022 Strategic Plan.

CHAPTER ONE: INTRODUCTION TO THE PENSION SCHEME

1.1 INTRODUCTION

This chapter provides background information on the Machakos University Staff Retirement Benefits Scheme. The chapter further states the scheme's Vision, Mission, core values, functions and the overall goal of the scheme. The rationale and process of development of the Schemes' Strategic Plan is also highlighted.

1.2 BACKGROUND

In an effort to cushion the employees from poverty in old age, a Pension Scheme was established on **01 January 2013** and all serving Permanent and Pensionable employees under the sponsor automatically became members.

The current contributions structure for the scheme by both the sponsor is 20% and employees is 10% of employees' basic salary.

1.3 STRATEGIC ORIENTATION OF THE SCHEME

The scheme developed and aligned its Vision, Mission, Core Values and Slogan as follows: -

1.3.1 VISION

"A Secured Dignified Life in Retirement"

1.3.2 MISSION

"Safeguarding scheme funds through prudent investments and promoting member savings culture"

1.3.3 SLOGAN

"Securing the future"

1.4 CORE VALUES

- a. **Integrity:** The Trustees and service providers will uphold the highest standard of integrity in the management of the Scheme funds.
- b. **Accountability:** The Trustees and service providers make decisions in the best interest of the members and are thus expected to be accountable for all the decisions made.
- c. **Transparency:** The Trustees, service providers and members will constantly cultivate a culture of transparency to improve the management of the scheme.
- d. **Efficiency:** The Trustees and service providers are expected to carry out their duties efficiently in line with professional and statutory guidelines, rules and regulations and generate excellent results.
- e. **Innovation:** Trustees will work together with stakeholders to inculcate a culture of innovation in delivering services that makes a difference.
- f. **Teamwork** - The Trustees will work as a team in all their undertakings to ensure prudent management of Scheme affairs and delivery of services to members

1.5 CORE FUNCTIONS OF THE SCHEME

- a. To register members
- b. To invest members contributions
- c. To keep custody of scheme assets
- d. To pay benefits to members and their dependants
- e. To sensitize/educate members
- f. To ensure audit of Scheme funds
- g. To comply with the legislative provisions of the RBA Act, the Income Tax Act, NSSF Act and any other legislative requirement

1.6 GOALS OF THE SCHEME

The main goal of the scheme is to provide retirement and other benefits for members Machakos University Staff Retirement Benefits Scheme and their respective dependants on a sustainable basis.

1.7 BROAD STRATEGIC OBJECTIVES OF THE SCHEME

The plan has identified five strategic pillars for the plan period. These are:

- ❖ **Strategic Pillar 1:** Sustainable Investment Management
- ❖ **Strategic Pillar 2:** Excellent Customer Service
- ❖ **Strategic Pillar 3:** Operational Efficiency
- ❖ **Strategic Pillar 4:** Effective and Sustainable Scheme Governance
- ❖ **Strategic Pillar 5:** Compliance and Risk Management

Financing the Strategic Plan:

Implementation of this strategic plan is estimated to cost **Ksh. 8,100,000**. These costs will be borne mainly through the scheme.

Note (Trustees to agree to the budget)

CHAPTER TWO: RATIONALE FOR THE STRATEGIC PLAN

2.1 INTRODUCTION

This chapter presents an overview of the Schemes' current situation. It provides an assessment of the operating environment of the Scheme through a SWOT (Strengths Weaknesses Opportunities and Threats) and PESTEL (Political, Economic, Social, Technological, Environmental and Legal Factors) Analysis. The roles and expectations of the various stakeholders are also explored through a stakeholder analysis.

2.2 RATIONALE FOR THE STRATEGIC PLAN

Since the inception of the Scheme, the Board of Trustees has relied on the Trust Deed and Rules and the Investment Policy Statement (IPS) to guide its operations. However, the growth of the scheme, social economic challenges and emerging issues in the pension industry have called for deliberate long-term planning in the management of the staff retirement benefits scheme.

In addition, the reports submitted by various service providers have identified gaps which need a coordinated approach in the planning, implementation, evaluation and reporting on the performance of the fund.

It is against this background that the Trustees found it necessary to develop a strategic plan that will provide a framework for planning, implementation and performance evaluation of the various initiatives in the management of the retirement benefits scheme.

The 2018-2022 Strategic Plan is thus expected to guide future operations of the retirement benefits Scheme in terms of investment decisions alongside established policies as the Scheme grows over time.

2.3 EXTERNAL ENVIRONMENT ANALYSIS

2.3.1 Political Environment

It is recognized that political stability, democratization, empowerment of stakeholders, legislative and institutional frameworks are critical factors for the operation of any organization. An unstable political climate dampens private sector investment and poses a threat to the overall economic growth. Pension schemes heavily rely on stable political climate for investment growth. Currently, the country is addressing some of the challenges in the

devolution of services and processes as per the Constitution of Kenya, 2010. In addition, the performance of the scheme is thus likely to be influenced by the prevailing political environment.

2.3.2 Economic Environment

The Government blueprint on the growth of economy is articulated under the Vision 2030 strategy, this has presented a favorable outlook on macro-economic stability.

The National Economic Survey highlights some of the key drivers of the Kenyan economy which indicate favorable growth prospects on the monetary policy aspects of the economy. The key drivers being financial markets, mining, property markets and ICT.

Retirement benefits schemes rely mainly on employer/ member contributions and return on investments for sustainable growth. Investments are made against the backdrop of fluctuating exchange rates and the volatile global markets. The economy is further affected by escalating energy and food prices pushing higher inflation. These factors have significant impact on investments.

In addition, the fiscal policy aspects manifested through the devolution of government services and infrastructural development are expected to go hand in hand with private sector investment at the County level. This will present new frontiers for investment opportunities.

The scheme intends to diversify its investment portfolio in the next 5 years and will therefore take advantage of overall economic projections laid out in the wider national plans.

2.3.3 Social Cultural Environment

The increased urbanization, changing lifestyles for the millennial and women empowerment have presented social cultural challenges in the management of the schemes. This is manifested in marital relationships where spouses fail or choose not to exercise their discretion in nominating their beneficiaries as per the provisions of the Scheme rules. Other social cultural factors that the scheme needs to be sensitive to, during the planned period include, young people's aversion to retirement planning and corruption that may inhibit prospects of increasing member registration and also the diversification of its investment portfolio. Rural Urban migration also heavily influence spending and saving culture as competing needs for finances threaten the future of retirement.

2.3.4 Technological Environment

Advancement of ICT has provided an environment for the Scheme to leverage on modern communication Technology to manage information and interact with its members in a more efficient and transparent manner.

As a measure of enhancing effective in-service delivery, the Trustees of the Scheme may also consider conducting its business through both formal and informal media channels. These include SMS, M-Pesa, M-Banking and use of email services. Other social media such as Skype, Twitter, Facebook and other platforms could be viable alternatives.

The Board of Trustees shall pursue innovative opportunities through robust ICT systems that allows members and Trustees web-based access to relevant information through a secure online portal.

Through the online portal members shall have access to their personal records, scheme documents, savings history and retirement planning tools. The Trustees can also be able to access the administrative records and the Scheme's document depository at any given time.

The online system shall functional modules that allow for real-time Trustees election by the members and self-evaluation of the Board by the Trustees.

2.3.5 Environmental Factors

In its endeavor to diversify its investment portfolio, the scheme may consider to venture into the property market in future. In this regard, the Trustees shall be expected to adhere to the existing institutional arrangements regarding environmental hazard and land use policies.

2.3.6 Legal Environment

The scheme operates as per the provisions of the RBA Act, the Schemes' Trust Deed and Rules and other financial management regulations issued from time to time.

Changes in regulations from time to time may incorporate changes in the scheme benefits' structure and affect policies that drive the management of the scheme

In addition, the anticipated NSSF Act, once implemented, is likely to influence the contributory arrangements to the disadvantage of both the Scheme and the members as a result of the escalation of contributory amount to NSSF over the years. This indicates that the evolving legal framework in this sub-sector is likely to impact on the performance of the Scheme in the next five years.

2.3.7 Risk Assessment and management

Trustees recognize that they are operating in an uncertain environment with many risks both from the internal and external environment. The business environment is less stable and, in most cases, volatile, the workplace more dynamic, employees are becoming more knowledgeable, technology is rapidly changing and global influences are becoming less predictable. For this reason, it has become necessary to have a robust risk assessment and management programme.

The risk management process has three major components namely:

- Risk identification,
- Risk measurement, and
- Risk management.

Risk identification will involve the analysis of events based on past experience in order to come up with potential risks; interpretation of market information and evaluation of potential risk information. The measurement and management of the identified risk will be done through data analysis, making strategic choices and tradeoffs.

In the Planned period, Trustees shall continuously review the risk management policy and risk register in order to anticipate, identify and manage emerging risks.

The risk matrix to be used in the plan is attached in ***annex III of Chapter six.***

2.4 STAKEHOLDER ANALYSIS

The Scheme interacts with a wide range of stakeholders some of whom have key roles and expectations in its operations. The primary stakeholders are the members while the key stakeholders include the Sponsor, the Trustees, and Retirement Benefits Authority. The Matrix below outlines the roles and interests of the various stakeholders

TABLE 2: Stakeholder Analysis

S/No	STAKEHOLDER	ROLE	INTEREST
	Active Scheme Members	<ul style="list-style-type: none"> To contribute to the Scheme To elect Trustees To provide accurate information of beneficiaries They ensure proper accountability by the trustees. 	<ul style="list-style-type: none"> A secured future for employees with attractive benefits Regular information on performance of the scheme Prudent management of the Scheme Accurate statement of benefits Reasonable return on investments
	Sponsor/Employer	<ul style="list-style-type: none"> Establish a Pension Scheme in order to provide employees with retirement benefits To contribute a portion of employees' salary towards the scheme To appoint the Trustees To provide an oversight role in the management of the scheme To remit monthly contributions on time To ensure that all members are duly registered on appointment 	<ul style="list-style-type: none"> Secure future for employees Ensure retention of employees in the service Prudent management of the Scheme funds Representation on the Board of Trustees
	Board of Trustees	<ul style="list-style-type: none"> To manage the scheme on behalf of the members. To act as a link between the Sponsor and the members regarding employee retirement benefits To provide good governance for operations of the scheme 	<ul style="list-style-type: none"> Secure future of members. Grow and sustain the scheme fund Independence of the Board of Trustees Continuous Trustee education

S/No	STAKEHOLDER	ROLE	INTEREST
		<ul style="list-style-type: none"> To act in the best interest of member To ensure prudent investment and returns 	<ul style="list-style-type: none"> Risk management including Trustee indemnity to enable them perform effectively
	Scheme Liaison Officer	<ul style="list-style-type: none"> To facilitate registration of members on appointment Maintenance of membership records Liaison with Scheme Administrator on all pension matters Processing of payments due to beneficiaries Distribution of statements to members 	<ul style="list-style-type: none"> Customer satisfaction Sustainability of the scheme Informed and enlightened members Continuous training and development Adequate equipment and systems to facilitate performance.
	Retirement Benefits Authority	<ul style="list-style-type: none"> Provide regulatory framework on fund management Provide supervision and oversight 	<ul style="list-style-type: none"> Ensure Scheme compliance with RBA regulations Minimal member complaints
	Scheme Administrator	<ul style="list-style-type: none"> Assist the Trustees in administration of benefits. Provide general administrative and advisory services to the Trustees Maintain records of the Scheme members Comply with RBA and other regulatory requirements. Update and provide a liability profile for the members 	<ul style="list-style-type: none"> Opportunity to present and discuss reports Discretion to delivery services as per contract Timely payment of dues Clear contract documentation
	Scheme Fund Managers	<ul style="list-style-type: none"> To Identify investment opportunities as guided by the IPS 	<ul style="list-style-type: none"> Opportunity to present and discuss reports

S/No	STAKEHOLDER	ROLE	INTEREST
		<ul style="list-style-type: none"> Advise the Trustees on the Performance of the fund and the viable alternatives Timely provision of funds for disbursement to beneficiaries Comply with RBA and other regulatory requirements. 	<ul style="list-style-type: none"> Discretion to delivery services as per contract Timely payment of dues Clear contract documentation Fair competition and competitive pricing
	Scheme Custodian	<ul style="list-style-type: none"> Keep custody of scheme assets Reconciliation of bank accounts held by the fund managers Disburse funds for payment of benefits or purchase of assets Safe custody of the assets 	<ul style="list-style-type: none"> Opportunity to present and discuss reports Discretion to delivery services as per contract Timely payment of dues Clear contract documentation
	Scheme Auditor	<ul style="list-style-type: none"> Audit Scheme books of accounts Report to the Board of trustees and the Annual General Meeting Ensure reports comply with the existing regulations and standards 	<ul style="list-style-type: none"> Opportunity to present and discuss reports Discretion to delivery services as per contract Timely payment of fees Clear contract documentation Proper accounting systems
	Actuary	<ul style="list-style-type: none"> Formulation and Review the Scheme IPS. 	<ul style="list-style-type: none"> Opportunity to present and discuss reports Discretion to deliver services as per contract Timely payment of dues Clear contract documentation
	Beneficiaries/Dependents	<ul style="list-style-type: none"> Provide accurate information for disbursement of benefits 	<ul style="list-style-type: none"> Timely payment of benefits Adequate pension to meet cost of living

S/No	STAKEHOLDER	ROLE	INTEREST
			<ul style="list-style-type: none"> • Forum to interact • Member education • Adequate communication on changes
	Other Regulatory Institutions such as CMA	<ul style="list-style-type: none"> • Provide regulations and policy guidelines in management of retirement benefits schemes • Represent government interest in the financial market sub-sector • Provide oversight role in financial market sub-sector • Provide good corporate governance 	<ul style="list-style-type: none"> • Ensure corporate governance • Ensure compliance with statutory obligations
	Insurance companies	<ul style="list-style-type: none"> • Provide market for annuity purchase • Pay annuities 	<ul style="list-style-type: none"> • Maintain good customer relationships • Expand their market share
	Other Quoted and unquoted companies	<ul style="list-style-type: none"> • Provide market for investment opportunities 	<ul style="list-style-type: none"> • Grow their profit margins • Stability of institutions in the pension industry

2.5 INTERNAL ENVIRONMENT ANALYSIS

The internal environment focuses on factors within the Scheme that impact the approach and success of the Scheme operations. Managing the strengths of this internal operations and recognizing potential opportunities and threats are keys to the Scheme performance. Factors that are considered as part of the internal environment of a pension scheme include the scheme risk profile, service providers and scheme members in terms of gender and distribution of members together with their age constraints.

The aforementioned factors if not well monitored can adversely affect the scheme performance. This is the main reason as to why operations of all pension funds in Kenya are regulated by the Retirements Benefits Authority to protect the interest of members and sponsors. The regulator issues guidelines on how the Schemes are to be run and the investment limits for the various asset classes. Further, it specifies the roles and responsibilities of Trustees, Sponsors and Service Providers.

The Service Providers include:

- Fund Managers
- Scheme Administrator
- Scheme Custodian
- Scheme Auditor
- The Actuary

2.6 ROLES AND RESPONSIBILITIES OF SERVICE PROVIDERS

The general obligations of the Trustees, Fund Managers, Custodians and Administrators include:

- a. Ensuring that the Scheme fund is at all times managed in accordance with Retirement Benefits Act and regulations, rules and any guidelines given by the Retirement Benefits Authority.
- b. Taking reasonable care to ensure that the management of the scheme is carried out in the best interests of the members and sponsors of the Scheme.

- c. Reporting to the Retirement Benefits Authority as soon as reasonably practicable, any unusual occurrence which in their view could jeopardize the rights of the members or sponsors of the Scheme.
- d. Reporting to the Retirement Benefits Authority as soon as reasonably practicable, if any contributions into the Scheme fund remains due for a period of more than thirty days.

2.7 SCHEME ANALYSIS

Investment of schemes' fund

The Scheme fund is constituted of the following: -

- a. Members' contributions currently at 10% of basic salary
- b. Sponsors contribution currently at 20% of the basic salary
- c. Member additional voluntary contribution
- d. Investment income

Members and Sponsor contributions are remitted to the scheme custodian by 10th of the subsequent month as per the RBA regulations.

2.8 CUSTODY OF SCHEME ASSETS

The scheme assets are managed in a segregated fund and are invested by the appointed Fund Manager, Old Mutual Asset Managers Limited

2.9 MEMBER EDUCATION AND AWARENESS

The Scheme conducts member education and awareness creation through Member's Information Handbook, Annual General Meetings, Education day and sensitization programmes. In carrying out this education and awareness, the scheme uses various scheme service providers, consultants and the trustees.

Similarly, the scheme has not been able to move at the same pace with technological development in interaction with members and other stakeholders. For example, the scheme has not established an interactive website.

In this strategic period therefore, the training and information of members will be through an integrated approach that will take advantage of various Information, Education and Communication opportunities and channels. In the uptake of technology to enhance member education, for example, the scheme will explore the use of an interactive website, online portal and Facebook page to capture members' needs and to reach them across the geographical boundaries. Also in order to increase effectiveness in member education, the scheme will carry out targeted member education that is informed by the age and gender profiles. Other trainings will be informed by valid needs assessments of the members.

2.10 AUDIT

The Scheme has contracted Auditors from time to time who audit the books of accounts annually and submits an audit report to the Trustees. The same report is presented to the members during the Annual General Meetings. The submission of the reports is done within the timelines stipulated by the Retirement Benefits Act.

2.11 SUBMISSION OF REPORTS

The scheme is required to submit periodically to Retirement Benefits Authority the following reports:

- i. Administration reports(quarterly)
- ii. Investment reports (quarterly)
- iii. Audit reports(annually)

The above reports are submitted within the stipulated time lines. These reports are used by the Trustees and RBA in decision making. In this strategic plan period, the capacity of Trustees will be built so that they are able to analyze the scheme's performance and compare it with the industry.

The Trustees will also bench mark the performance of the scheme in the planning period. It is intended that such capacity building and benchmarking will ensure that the Trustees engage with the service providers adequately. It will also enhance the performance of the scheme and service providers.

2.12 INSTITUTIONAL STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

The status of management information systems, availability of financial resources and communication structures were used to assess the Scheme’s strengths and weaknesses in relation to its capacity to provide expected services. The table below shows the SWOT that was identified:

Table 3: The Schemes Internal Situational Analysis’s (Strengths and Weakness)

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 1. The pension scheme has support from Sponsor being Machakos University 2. Machakos University has Low staff turnover 3. The Board of Trustees is dedicated to perform its duties 4. The Trustees have been certified through the Trustees Development Programme. 5. The Pension Scheme membership has grown over the years 6. The duly appointed service providers have rendered sound professional advise 7. The pension scheme has a good reputation 8. The pension scheme has a duly executed Trust Deed and Rules filed at the Retirement Benefits Authority 9. The scheme assets are Invested and preserved to ensure members access benefits at retirement. 10. The pension scheme is compliant with Regulatory requirements 11. The pension scheme has support from the Regulator and the Government 	<ol style="list-style-type: none"> 1. The pension scheme members are not actively engaged in pension scheme matters 2. Poor participation in the AGMs 3. Slow uptake of technology by the members 4. Low attendance of training sessions presented to members 5. The fund value of the scheme is small compared to other scheme’s in the market 6. Members are not making any additional voluntary contributions 7. Members have low salary increment

Table 4: The Schemes External Situational Analysis's (Opportunities and Threats)

OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> 1. Advancement and adoption of technology in the day-to-day management of Scheme affairs 2. Introduction of diverse investment opportunities such as Public Private Partnerships 3. Members' uptake of additional voluntary contributions 4. Capacity building through continuous training and education of members and Trustees 5. Growth in pension scheme membership due to staff recruitment by the sponsor 6. Implementation of the post health retirement fund introduced by regulation 7. Aligning the pension scheme investments to the Country's Big 4 agenda 	<ol style="list-style-type: none"> 1. Stiff competition from other pension schemes 2. Risk of litigation against the pension scheme 3. Rapid changes in regulations 4. Fraud and corruption 5. Emerging threats to information technology security 6. Instability of the financial services sector 7. Volatility of investment returns 8. The potential of possible exits from the pension scheme 9. Delayed capitation by Government on pension contributions

CHAPTER THREE: STRATEGIC OBJECTIVES

3.1 INTRODUCTION

This chapter outlines the strategic direction of the Scheme, in form of the strategic objectives, strategies and key results to be pursued in the next five years. The Strategic Plan provides for an accelerated and effective implementation of identified programmes that will enhance service delivery while at the same time providing for the growth of the fund.

There are five (5) strategic pillars that have been identified as follows:

- ❖ **Strategic Pillar 1:** Sustainable Investment Management
- ❖ **Strategic Pillar 2:** Excellent Customer Service
- ❖ **Strategic Pillar 3:** Enhanced Operational Efficiency
- ❖ **Strategic Pillar 4:** Effective and Sustainable Scheme Governance
- ❖ **Strategic Pillar 5:** Compliance and Risk Management

In order to ensure that each of the pillars are comprehensively addressed a number of strategies have been formulated for each objective. A set of activities have been identified for each strategy in order to work towards the achievement of the desired results. A results matrix has been developed and attached as annex I. The following section therefore presents the strategic objectives, proposed strategies and actions to be undertaken under each strategy:

3.2 STRATEGIC OBJECTIVE

❖ **Strategic Pillar 1: Sustainable Investment growth**

- a) Sustainable Investment Return through diversification with a target return as shall be agreed with the fund manager and provided in the IPS
- b) Develop and agree on the scheme cost effectiveness strategies
- c) Constant monitoring of investments and timely interventions to preserve members' capital and to ensure consistent returns sustainably into the future.
- d) Introduction of segregated investments to optimize investment growth

❖ **Strategic Pillar 2: Excellent Customer Service**

- a) Formulation of member education and communication strategy
- b) Prepare member handbook for induction and sensitization
- c) Long-term strategy to target automation of member services through online and access and Mobile application for benefits statements access
- d) Undertake member satisfaction survey and training needs assessment and Implement the outcomes of the TNA
- e) Annual training calendar and budgets

❖ **Strategic Pillar 3: Operational Efficiency**

- a) Establishment of the Scheme Secretariat
- b) Develop and maintain compliance checklist for reference
- c) Benchmarking on sponsor ISO process flows where relevant for standardization
- d) Collaborate with sponsor closely to streamline operational inefficiencies
- e) Define clear scheme operational process flows - administrative

❖ **Strategic Pillar 4: Effective and Sustainable Scheme Governance**

- a) Development and adoption of the scheme policies
- b) Provide for clear terms of reference for BOT Committees
- c) Develop and implement BOT performance tool and evaluation policy
- d) Develop and implement BOT succession policy and Handover manual
- e) Provide for clear guidelines on the operations and management of the scheme death benefits policy within the scheme.
- f) Development and Adoption of a Governance Charter

❖ **Strategic Pillar 5: Effective Compliance and Risk Management**

- a) Development and Adoption of a Compliance and Risk register
- b) Data Security guidelines
- c) Professional Indemnity for the BOT
- d) Adopt ISO procedures specific for Compliance and risk management

3.3 STRATEGIC PLAN ASSUMPTIONS

In developing this Strategic Plan, the following assumptions are made:

- a.** The scheme will continue to operate as a going concern (the scheme will be operational into the unforeseen future regardless of changes in management.) with a long-term horizon for purposes of planning and investment.
- b.** The Sponsor will continue to support the Scheme in terms of personnel, facilities and contributions.
- c.** The contracted service providers shall continue to deliver the required services at the highest standards of professionalism.
- d.** The status of the Sponsor will remain as currently constituted.
- e.** There will be minimal changes to legislation and thus the associated costs of compliance are minimal
- f.** The political stability will be maintained.
- g.** Economic growth rate will continue on a positive trend.
- h.** Transition within the Board of Trustees is will continue to be seamless to maintain institutional memory.
- i.** There will be continued funding from the sponsor to support the Scheme
- j.** There will be minimal turnover of employees.

CHAPTER FOUR: MONITORING AND EVALUATION FRAMEWORK

4.1 INTRODUCTION

This chapter presents the monitoring plan for the activities identified to attain the Scheme's set objectives. This is an inbuilt mechanism for monitoring progress of the implementation.

The Scheme anticipates to maximize returns and minimize costs and losses in investment of member contributions as guided by scheme Trust Deed and Rules and the investment Policy Statement. The Monitoring and Evaluation framework is a tool of reviewing progress and identifying areas that need intervention measures to refocus the programme's activities.

The Scheme has identified activities whose implementation will be monitored on a continuous basis during the planned period. The monitoring plan will establish a mechanism for providing critical information to the Scheme Trustees for purposes of decision making.

4.2 REGULAR REVIEWS ON THE STRATEGIC PLAN

The Monitoring & Evaluation team shall review the implementation of the Strategic Plan. In their review, they will make use of various periodic reports submitted by service providers and the Scheme Secretariat.

The monitoring and evaluation reports generated will be presented to the Board of Trustees who will determine what type of intervention measures are necessary to address any identified gaps.

CHAPTER FIVE: LIST OF ANNEXURES

ANNEX I - RESULTS MATRIX (2018-2022)

Strategy	Objectives and Initiatives	Ownership responsibility	Outcome	Verifiable Indicators	Timeframe
Pillar 1: Sustainable Investment Growth					
Diversification	Diversification through target return Segregation of funds to ensure optimization of returns.	Scheme Fund Manager Trustees Administrator Liaison officer	Minimum annual average return of 15 % on funds Diverse portfolio of scheme's Investment Incorporate new asset classes Members' to achieve an Income Replacement Ratio of at least 45%	Revised Scheme Investment Policy Assets in different classes	2018-2022
Cost Efficiency	Adopt cost efficient strategies	Trustees and Liaison Officer	Minimal costs resulting to high returns.	Reduced ratio of expenses on total fund	2018-2022
Preservation of Capital	Consistent monitoring of investments	Scheme Fund Manager Trustees	Protection of principal value	Return of Investments Comparative analysis reports of industry performance	2018-2022
Pillar 2: Excellent Member Customer Service					

Enhance Member Education and Communication	Formulate education and communication strategy Member Handbook Automation of member services	Trustees Liaison office Fund administrator Appointed Consultant	To be determined by the Trustees in view of the cost implications	Improved services and reduced member queries	2018-2022
Member Training	Undertake survey to determine TNA Training Calendar & Budget	<ul style="list-style-type: none"> • Sponsor • Trustees • Administrator or 	All Training needs identified	Reports on trainings undertaken Empowerment and reduced member queries.	2018-2020
Pillar 3: Enhanced Operational Efficiency					
Establishment of scheme secretariat	Enhance operation efficiency of the scheme Sponsor collaboration	Appointed consultant / HR and Trustees	Allocation of Secretariat resources	Adoption of Job Description for Liaison staff and better record management	2018-2022
Operational Efficiency	Compliance checklist Benchmarking ISO procedures Define operational process flows	Trustees Secretariat Fund Administrator	Operational Risk mitigation through proper documentation, processes and procedures.	Compliance on procedures and high rating based on checklist	2018-2018
Pillar 4: Effective and Sustainable Scheme Governance					
	Review & Adoption of the Governance Charter	Administrator Secretariat Trustees	A clear understanding of	Review process reports	2018-2022

Adoption of Governance Manuals	Review & Adoption of scheme policies Adoption of policy guidelines		the roles and responsibilities of the Trustees	And implement non-compliant items	
Trustees Performance and evaluation	Trustees Evaluation TOR for BOT committees	Trustees Appointed consultant	Enhance scheme service delivery through clear and documented targets	Review outcomes and implement on weak areas	2018-2022
Pillar 5: Compliance and Effective Risk Management					
Compliance and Risk Management	Adoption of Compliance and Risk Register Adopt ISO procedures and compliance and risk management	Trustees Appointed consultant	Effective Risk reduction, mitigation and elimination	Review Register and implementation of relevant solutions on identified gaps.	2018-2022
Management of Trustee Liability	Procurement of Professional Indemnity	Trustees / Sponsor	Effective Risk management	Trustee Policy document	2018-2019
Data Security Guidelines	Document management system and applicable guidelines	Trustees Appointed Consultant Secretariat	Better records management and effective Risk mitigation.	Review reports and implement on weak areas	2018-2022

ANNEX II – PLAN IMPLEMENTATION COST ESTIMATES (2018-2022)

FINANCIAL REQUIREMENTS FOR IMPLEMENTATION OF THE STRATEGIC PLAN

The Scheme will need approximately **Kshs. 8,100,000** to implement the activities that will lead to the achievement of Strategic Plan goals and objectives. This cost includes payment of scheme service providers, professional fees, development and revision of governance documents.

RESOURCE FLOW AND UTILIZATION STRATEGIES

The Scheme will draw much of its funding from member and Sponsor contributions. Another major source of scheme funding will be the return on investment. This therefore means that Trustees have the obligation of investing in asset classes that have high returns while at the same time managing risks.

The Scheme will strive to minimize costs and losses by strengthening internal systems in resource utilization. To achieve this, the Scheme will provide adequate training to Trustees and Scheme Liaison Staff. Trustees will appraise the service providers as a way of ensuring that the scheme realizes value for money from service providers. The scheme will depend on various sources of income.

RETURNS ON INVESTMENT

Return on investments is one of the major sources of Scheme income. The Scheme is current invested a segregated Fund

Strategy	Objectives and Initiatives	Estimate Costs	Timeframe
Pillar 1: Sustainable Investment Growth			
Diversification	<input type="checkbox"/> Diversification through target return <input type="checkbox"/> Segregation of funds to ensure optimization of returns.	N/A	2018-2021

Cost Efficiency	<input type="checkbox"/> Adopt cost efficient strategies	N/A	2018-2021
Preservation of Capital	<input type="checkbox"/> Consistent monitoring of investments	N/A – Market Surveys	2018-2021
Pillar 2: Excellent Member Customer Service			
Enhance Member Education and Communication	<input type="checkbox"/> Formulate education and communication strategy <input type="checkbox"/> Member Handbook <input type="checkbox"/> Automation of member services	100,000	2018-2021
Member Training	<input type="checkbox"/> Undertake survey to determine TNA <input type="checkbox"/> Training Calendar & Budget	700,000 p.a	2018-2020
Pillar 3: Enhanced Operational Efficiency			
Establishment of scheme secretariat	<input type="checkbox"/> Enhance scheme operational efficiency <input type="checkbox"/> Sponsor collaboration	300,000 p.a	2018-2022
Operational Efficiency	<input type="checkbox"/> Compliance checklist <input type="checkbox"/> Benchmarking ISO procedures <input type="checkbox"/> Define operational process flows	N/A	2018-2018
Pillar 4: Effective and Sustainable Scheme Governance			
Adoption of Governance Manuals	<input type="checkbox"/> Review & Adoption of the Governance Charter <input type="checkbox"/> Review & Adoption of scheme policies <input type="checkbox"/> Adoption of policy guidelines	400,000	2018-2022
Trustees Performance and evaluation	<input type="checkbox"/> Trustees Evaluation <input type="checkbox"/> Terms of Reference for BOT committees	100,000 p.a	2018-2022
Pillar 5: Compliance and Effective Risk Management			
Compliance and Risk Management	<input type="checkbox"/> Adoption of Compliance and Risk Register	500,000	

	<input type="checkbox"/> Adopt ISO procedures and compliance and risk management		2018-2022
Management of Trustee Liability	<input type="checkbox"/> Procurement of Professional Indemnity	200,000 p.a	2018-2019
Data Security Guidelines	<input type="checkbox"/> Document management system and applicable guidelines	600,000	2018-2022

ANNEX III - RISK MANAGEMENT MATRIX

Issue	Risk	Likelihood	Impact	Mitigation measures	Actors
Staff turnover	Loss of contributions and reduction fund value, un-projected payment of withdrawals	Probable	Low	Maintain adequate levels of liquidity	Custodian
Technology	Loss of contributions and reduction of fund value, un-projected payment of withdrawals	Probable	Low	Data Security	Trustees and Delegated service providers.
Fraud	Remittances paid to different payee;	Remote	Low	Strengthen Controls in payment process	Sponsor
	Collusion of service providers, leading to loss of funds	Probable	High	Continuous monitoring of operations of service providers	Sponsor
Market failure	Reduction in Fund value	Probable	High	Diversification	Trustees & Fund managers
Poor performance of Securities Market	Low returns investment on equities and bonds investment	Probable	High	Diversification of investments	Trustees & Fund managers

Issue	Risk	Likelihood	Impact	Mitigation measures	Actors
Instability of exchange rates	Low returns on offshore investment	Probable	Low	Diversification of investments	Trustees & Fund managers
Volatility of interest rates	Low returns on Treasury bills and Bonds	Probable	High	Diversification of investments	Trustees & Fund managers
Changes in laws and regulations by government	Reduced contributions, low return on investment	Probable	High	Apply for exemptions	Trustees & Scheme administrator
Change in the mandatory retirement age and retrenchment	Un-projected withdrawals from the fund	Probable	High	Invest in near cash assets	Trustees & Fund Managers
Political instability, Terrorism and insecurity	Low returns on investment, Reduction of fund value	Remote	High	Invest offshore and insurance	Trustees & fund managers
Economic recess	Low returns and reduction in fund value	Remote	High	Establish a reserve fund	Trustees
Litigation	Cost of legal representation in courts and reputational damages	Remote	low	Insurance for Trustees	Trustees
Governance	Conflict of interest, inadequate Skills and vested interest	Remote	low	Variety of skills in Trustee Composition, training and Governance charter.	Trustees

ADOPTED AND EXECUTED ON THE..... BY:

MACHAKOS UNIVERSITY STAFF RETIREMENT BENEFITS SCHEME

SIGNED AND DELIVERED
By _____

In the presence of;

Witness.....

Name.....

Address.....

SIGNED AND DELIVERED
By _____

In the presence of;

Witness.....

Name.....

Address.....

SIGNED AND DELIVERED
By _____ -

In the presence of;

Witness.....

Name.....

Address.....

SIGNED AND DELIVERED
By _____

In the presence of;

Witness.....

Name.....

Address.....

SIGNED AND DELIVERED
By _____

In the presence of;

Witness.....

Name.....

Address.....

SIGNED AND DELIVERED
By _____

In the presence of;

Witness.....

Name.....

Address.....

SIGNED AND DELIVERED
By _____

In the presence of;

)

)

Witness.....

)

)

Name.....

)

)

Address.....

)

SIGNED AND DELIVERED

)

By _____

)

In the presence of;

)

)

Witness.....

)

)

Name.....

)

)

Address.....

)

)

DRAFT