PSSF
PUBLIC SERVICE SUPERANNUATION FUND
Empowering Futures

THE Superannuation NEWSLETTER

Issue 002 (April - June 2025)

PSSF partners with Kenya Prisons Service in member education drive

Scheme engages media in Strategic Dialogue at breakfast meeting

PSSF hosts Nigerian Electricity Regulator for benchmarking visit

Infrastructure Investments: A Strategic Fit for PSSF

PSSF
PUBLIC SERVICE SUPERANNUATION FUND
Empowering Futures

Vision

"A trusted retirement benefits provider"

Mission

"To collect contributions, optimally invest and pay benefits to scheme members and their beneficiaries sustainably through sound financial, good governance and risk management policies in pension fund administration"

Core Values

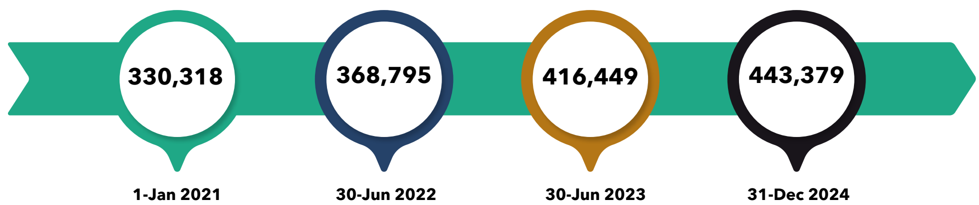
- Responsiveness
- Independence
- Fairness
- Transparency and accountability
- Integrity
- Teamwork

Factsheet

The Public Service Superannuation Scheme is a defined contribution pension scheme that covers Civil Servants, Teachers employed by TSC and Disciplined Services personnel. As at 31st December 2024, the scheme's membership was 443,379 with a fund value of KES 190 billion.

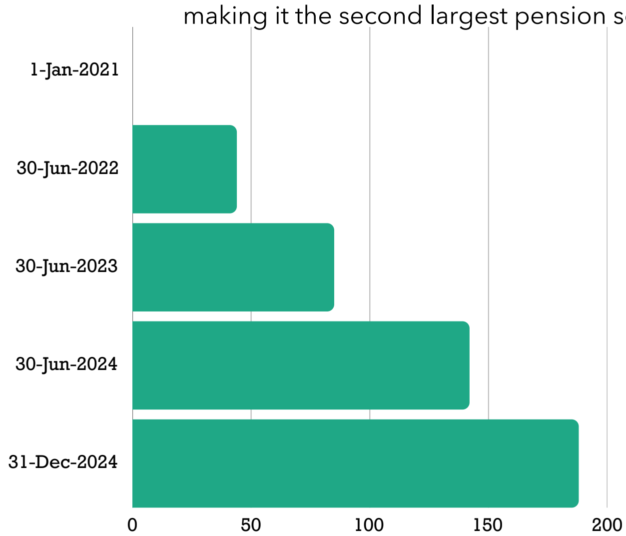
MEMBERSHIP GROWTH

Since inception on 1st January 2021, membership has grown steadily.



ASSETS UNDER MANAGEMENT

As at 31st December 2024, the scheme's assets under management were **KES 187.6 BILLION** making it the second largest pension scheme in Kenya.



For the FY 23/24

THE INTEREST DECLARED WAS 11.9%

marking an upward trajectory from the previous year's 5.4%

Know Your Trustees

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From the CEO's Desk

Welcome to the second issue of the Superannuation newsletter. I take this opportunity to reflect on the strides we have made as the Public Service Superannuation Fund (PSSF) and the exciting path ahead.

Since inception, our mission has been clear: to collect contributions, optimally invest and pay benefits to members and their beneficiaries sustainably. In recent months, we have deepened our engagement with members, strengthened our governance frameworks, and explored innovative investment opportunities that align with our long-term sustainability goals.

One of our key focus areas remains investment diversification. As highlighted in this issue, infrastructure is emerging as a priority asset class for PSSF. These investments not only offer stable, long-term returns but also contribute to national development by enhancing critical sectors such as transport, energy, and digital connectivity. By positioning the Fund strategically in such opportunities, we ensure that members' savings continue to grow while supporting the broader economic landscape.

Equally important is our commitment to member engagement. Through digital platforms, member education programs, and open forums, we aim to keep our members informed and empowered to make sound financial decisions regarding their pensions.

This issue also highlights key developments in the pensions sector, regulatory updates, and success stories from our members. I encourage you to read through and stay informed about how PSSF is working to serve you better.

As we move forward, I urge all our stakeholders to remain engaged and actively participate in shaping the future of the Fund. Your feedback is invaluable in helping us refine our strategies and improve service delivery. Together, we are building a stronger, more resilient pension system that will serve generations to come.

Thank you for your continued trust and support.

Dr. Jonah Aiyabei, PhD
Chief Executive Officer

Why you need to update your Beneficiary Records with PSSF

Public servants dedicate their lives to serving the nation, ensuring the smooth functioning of essential services across various sectors. However, many members of the Public Service Superannuation Fund (PSSF) may overlook a crucial aspect of their financial security—updating their beneficiary records.

A beneficiary is the person or persons you designate to receive your pension benefits in the unfortunate event of your passing. Without an updated nomination, your loved ones may face difficulties accessing the benefits intended to provide them with financial stability.

Many members assume that their next of kin will automatically receive their pension benefits, but this is not always the case. Without clear documentation, legal and administrative hurdles may delay or complicate the payout, causing unnecessary hardship for grieving families.

What happens if you don't update your Beneficiary Records?

Failure to nominate or update your beneficiary records can lead to:

1. **Delays in benefits processing –** Without a designated beneficiary, the process of identifying rightful claimants can be lengthy and frustrating.
2. **Disputes among family members –** In the absence of a clear nomination, conflicts may arise among potential dependents, leading to legal battles.
3. **Risk of funds going to unintended recipients –** If no nomination is made, benefits may be distributed according to legal succession laws, which might not reflect your wishes.

Updating your beneficiary records is a simple yet vital step to ensure that your loved ones are protected. All PSSF members—whether in education, healthcare, security, administration, or any other sector—are encouraged to review and update their records regularly, especially after major life events such as marriage, divorce, or the birth of a child. By taking this small but significant action, you can safeguard your family's financial future and ensure your hard-earned benefits go to those who matter most.

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HOW TO UPDATE YOUR BENEFICIARY RECORDS

Visit our website

Visit our website at www.psss.go.ke

Member Forms

Click on the 'Member Forms' section

Download & Fill

Click on 'Beneficiary Nomination Form' to download the form.
Fill the form.

Scan & Submit

Scan the filled document and submit it to info@pssf.go.ke

For any further inquiries, feel free to call us on 0746 111 777

PSSF Expands Pension Education Program to Kenya Prisons Officers

By Collins Nyamu

PSSF, CPF and Kenya Prisons Service officers pose for a photo during a member education session at the Naivasha Prison

The Public Service Superannuation Fund (PSSF) has partnered with the Kenya Prisons Service (KPS) to educate 25,000 prison officers on pension benefits and financial security. The initiative, part of a broader member education program, was conducted over eight days across Central, Rift Valley, and Western Kenya, covering 56 maximum, main, and women's prisons.

"Our goal is to ensure that all our members, including those in the disciplined services, have a comprehensive understanding of their pension benefits," said PSSF CEO Dr Jonah Aiyabei. "Financial security is critical for our officers, and educating them on their entitlements ensures they can plan for the future effectively."

Since its establishment on January 1, 2021, PSSF has provided retirement benefits for civil servants, teachers employed by the Teachers Service Commission (TSC), and personnel in disciplined services.

Disciplined service members account for 26 per cent of PSSF's membership, representing over 115,000 officers from the National Police Service, the National Youth Service, and the Kenya Prisons Service. The sector is represented on PSSF's Board of Trustees by an Inspector General's nominee, currently Rosemary Kuraru, EBS.

"The disciplined services play a vital role in our national security, and it is only right that they receive the best pension support available," said Dr Aiyabei. "We are committed to ensuring their concerns are addressed, particularly on matters such as beneficiary nominations and timely claims processing."

The latest round of training follows Phase I of the KPS Sensitization Program, which targeted prison officers in Nairobi in June 2024. Phase II, conducted from January 27 to February 3, 2025, expanded to 13 major prisons, including Nyeri, Nyahururu, Nakuru, Naivasha, Kakamega, Kisumu, and Narok.

One key focus area was updating beneficiary nomination records. PSSF officials emphasized the importance of ensuring that beneficiaries are correctly

Senior Superintendent Richard B. Makori receives a gift bag from Lucy Kolum, Principal Pension Administration Officer, during a visit to the GK Prisons Bomet

designated to prevent complications in case of a member's death.

"Imagine the hardship your loved ones would face if something were to happen to you and your pension benefits couldn't reach them," said PSSF representative Sarah Ng'aru. "Updating your beneficiary nomination ensures that your dependents receive their rightful benefits without delay." Officers were advised to regularly update their records, particularly after significant life changes such as marriage or the birth of children. Beneficiary nomination forms are available on the PSSF website.

KPS officers also expressed interest in tracking their pension benefits and understanding claim procedures. Under PSSF guidelines, pension benefits are calculated based on employer contributions, employee contributions, accrued interest, and additional voluntary contributions.

"We want our officers to be fully aware of how their benefits grow over time," said Ng'aru. "This knowledge empowers them to make informed financial decisions." She clarified that claims—including retirement, death, disability, and withdrawal benefits—are processed within 30 days if all necessary documentation is submitted.

During the session at Bomet Prisons, led by Senior Superintendent Richard B. Makori, officers sought updates on proposed amendments to the Public Service Superannuation Scheme (PSSS) Act and regulations. Public participation forums were held in August and September 2024 to refine the scheme's operations under the Retirement Benefits Authority (RBA) regulations. Among their key proposals is the inclusion of a Kenya Prisons Service representative on PSSF's Board of Trustees, separate from the National Police Service. Officers were informed that the amendment bill has been submitted to the National Assembly for consideration.

"The proposed amendments are crucial to addressing sector-specific concerns," said Makori. "Having a direct representative on the Board of Trustees would ensure that our voices are heard, and our interests are properly represented."

"I want to thank the PSSF officers for the information shared, helping our officers understand their pension scheme. I encourage officers nationwide to attend these sessions because this is their scheme, and information is power," Makori added.

The pension sensitization program is expected to continue across the country as PSSF enhances financial literacy among disciplined service members. "This is just the beginning," said Ng'aru. "We are committed to reaching all our members to ensure they have the necessary knowledge to secure their retirement."

Kenya Prisons Service officers following proceedings during a member education forum

Scheme engages media in Strategic Dialogue at breakfast meeting

By Ngumbo Njoroge

PSSF CEO Dr. Jonah Aiyabei shares the background, developments and future projections of the Public Service Superannuation Fund during a Media Breakfast Meeting with key media stakeholders.

The Public Service Superannuation Fund (PSSF) recently hosted a Media Breakfast meeting to strengthen its relationship with the media and enhance public awareness of the Fund's mandate and achievements.

The session provided insights into the role of pension communication, member benefits, and the future of pension fund management, reinforcing the importance of media collaboration in educating and empowering members on retirement security.

PSSF CEO Dr Jonah Aiyabei emphasized the critical role of the media in informing and educating the public about pension matters. He highlighted the Fund's commitment to transparency, accountability, and ensuring that public servants have a secure retirement future.

"The media is a key partner in our mission to deliver a reliable and sustainable pension scheme for civil servants. Through open engagement, we aim to keep the public well-informed about their benefits, contributions, and the overall sustainability of the Fund," the CEO stated.

Dr Aiyabei reaffirmed the Fund's commitment to prudent financial management and ensuring that members receive timely and accurate information regarding their pensions. He also urged the media to play a proactive role in disseminating factual and balanced information about the Fund's initiatives.

During the interactive session, journalists had the opportunity to ask questions and seek clarification on various aspects of the Fund's operations. Key topics of discussion included the growth of the pension scheme, investment strategies, member contributions, and the measures PSSF is taking to enhance service delivery.

The event also served as a networking session, allowing journalists and PSSF officials to exchange ideas and explore avenues for continued collaboration. The Fund reiterated its commitment to engaging with the media regularly to enhance transparency and keep members and stakeholders updated on its activities.

The Media Breakfast meeting marked another step towards fostering a culture of openness and trust between PSSF and the public. The Fund looks forward to sustained media partnerships that will drive greater awareness and understanding of pension matters among public servants and the broader community.

Journalists follow proceedings during the media breakfast meeting

Pictorial

1

PSSF officials held a sensitisation session with the Management of the National Mining Corporation Kenya on the scheme's operations. NAMICO, which is the investment arm of the Ministry of Mining, Blue Economy and Maritime Affairs, joined the scheme on 1st January 2025.

2

Journalists and PSSF staff follow proceedings during a recent media engagement session

3

Kenya Prisons Service officers participate in a session during a member education training

PSSF hosts Nigerian Electricity Regulator for benchmarking visit

By Collins Nyamu

NERC officials pose for a photo with PSSF staff during a benchmarking visit in February 2025

The Public Service Superannuation Fund (PSSF) hosted officials from the Nigerian Electricity Regulatory Commission (NERC) for a benchmarking visit, led by Tony Ray-Ene.

NERC, an independent agency overseeing Nigeria's electricity sector, was established in 2005 under the Obasanjo administration.

The visit provided NERC retirees with insights into the operations of Kenya's second-largest defined contribution (DC) pension scheme. PSSF detailed its governance framework, highlighting contribution rates of 7.5 per cent of basic salary from employees and a 15 per cent matching contribution from the Government.

NERC employees are covered by the Contributory Pension Scheme (CPS), regulated by the National Pension Commission (PenCom). The CPS is a fully funded, privately managed, and individual-account-based pension scheme. It provides a guaranteed periodic income (pension) to retirees throughout their lives, with an annuity guaranteed for at least ten years.

NERC was instituted primarily to regulate the tariff of Power Generating companies owned or controlled by the government, and any other generating company which has a licence for power generation and transmission of energy, and distribution of electricity.

The officials sought to understand the Scheme's investment strategy, particularly its decision to allocate more than 70 per cent of its portfolio to government securities.

"PSSF explained that during the economic uncertainty caused by the COVID-19 pandemic, government bonds and treasury bills provided a stable and secure investment avenue," said Golda Akolo, PSSF Benefits Administration Manager.

By June 2021, Treasury Bonds accounted for 83.2 per cent of Kenya's domestic debt, with Treasury Bills at 14.7 per cent. That year, Kenya's pension schemes recorded an 11.6 per cent return, rebounding from a 7.0 per cent gain in 2020.

PSSF has since begun diversifying its portfolio, venturing into private equity and offshore investments. At the 2024 AGM, the scheme reported an annual return of 11.9 per cent for the FY 2023/24, up from 5.4 per cent the previous year. The Board of Trustees, supported by fund manager GenAfrica, is now exploring investments in Real Estate Investment Trusts (REITs).

NERC team consults with PSSF Benefits Administration Directorate during the benchmarking visit

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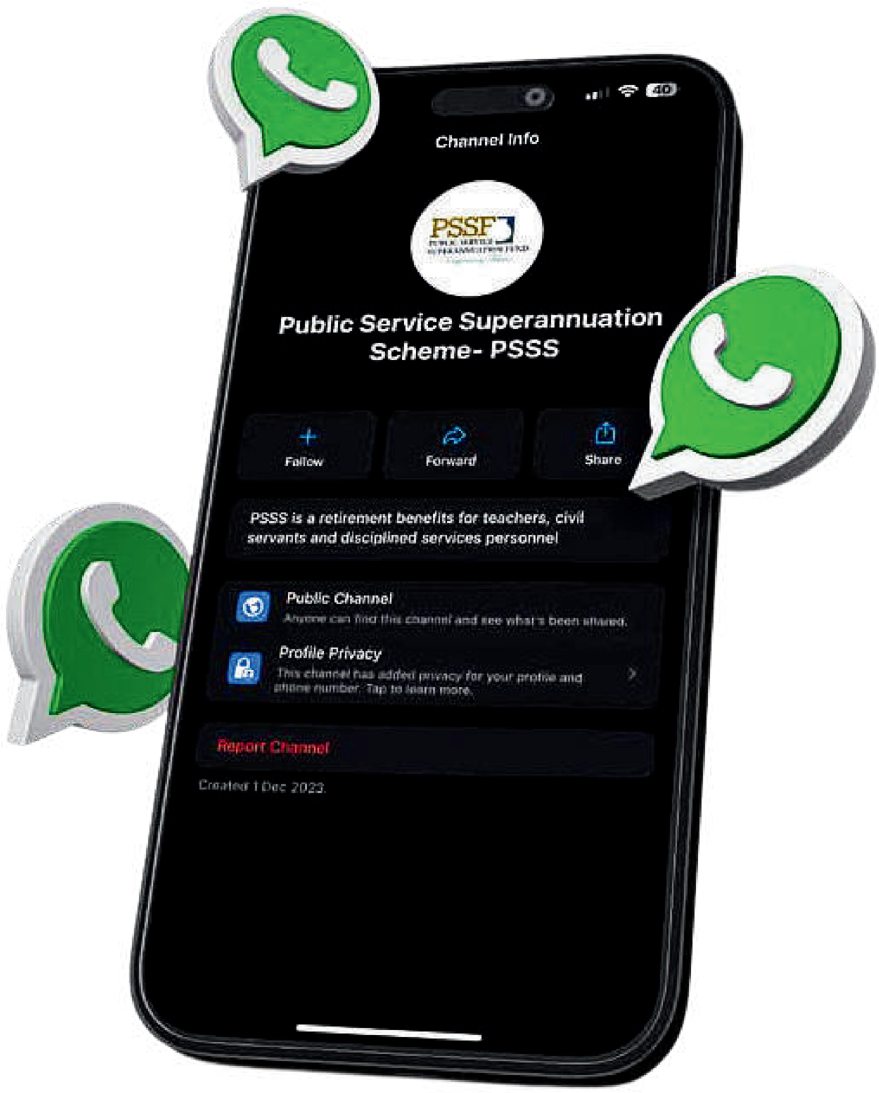

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Tax Law Reforms– A Relief for Scheme Members

By Angela Kiptoo

On 11 December 2024, the President assented seven Bills into law. Most of the Bills sought to amend tax-related legislation and reintroduce beneficial proposals that were initially part of the Finance Bill 2024, which was withdrawn following public protests. The amendments, which came into effect on 27 December 2024, are a culmination of several years of active engagements between industry players and the government aimed at promoting a favourable retirement benefits landscape.

This article breaks down some salient provisions of one of the laws assented to - the Tax Laws (Amendment) Bill (now the Tax Laws (Amendment) Act, 2024). This amendment Act has brought about a raft of changes that impact not only Scheme members but also the retirement benefits arena in totality. Three key changes with a direct impact on members are highlighted below:

1. Increase of tax-free thresholds for pension contributions

The Tax Laws (Amendment) Act, 2024 has increased the limit of non-taxable benefits allowable in respect of contributions made to registered pension funds from Kshs.240,000 per year (Kshs.20,000 per month) to Kshs.360,000 per year (Kshs.30,000 per month) for both the employee and employer. This is a welcome change as it has taken cognizance of the changing economic conditions characterized by inflation and rise in the cost of living. The amendment allows a higher deduction on members' income, effectively reducing their taxable income and increasing their take-home pay. This will encourage members to save more for their retirement through a registered pension scheme and boost their net replacement ratio.

> *The amendment is therefore a win for members retiring from employment upon attaining the normal retirement age...*

2. Enhancement of tax-exempt pension income

This amendment exempts from income tax pension benefits payable upon attainment of retirement age, the payment of benefits to persons who retire early before attaining the retirement age due to ill health, and benefits paid to persons who withdraw from the fund after twenty (20) years from the date of registration as a member of the fund. Previously, only monthly pensions paid to persons aged 65 years and above were exempt from tax. The amendment is therefore a win for members retiring from employment upon attaining the normal retirement age as they can now enjoy their full benefits without the liability of income tax deductions, thus enhancing their financial security during retirement.

The change is also beneficial to scheme members who retire early due to ill health since they will access their pension free of tax. They will additionally be able to manage their health better compared to the previous scenario where they had to await retirement age to access their benefits despite being in critical need of medical care. The requirement for membership for at least 20 years before enjoying a tax-free benefit encourages long-term saving for retirement and prevents premature withdrawals to ensure financial sustenance and stability upon retirement.

3. Allowable Deductions for Contributions to Post-Retirement Medical Fund

Contributions to the post-retirement medical fund are now deductible for tax purposes subject to a limit of fifteen thousand shillings (15,000) per month. That means that such contributions are deducted before arriving at the taxable income of an employee. Previously, individuals contributing to the post-retirement medical fund were eligible to receive a relief of 15% on the amount of contribution paid or KShs.60,000 per annum, whichever is lower.

The benefit of this amendment is that it will lead to a reduction in the pay-as-you-earn (PAYE) payable by contributing members, ultimately boosting their disposable income. More importantly, it is noteworthy that medical needs often rise during retirement and, in most cases, medical insurance cover for retirees is either not readily available or is provided at prohibitive costs. This amendment therefore guarantees members access to medical care upon retirement by enhancing their ability to save towards the post-retirement medical fund.

It is apparent from the foregoing that the retirement benefits sector in Kenya has begun a significant chapter with the reforms introduced through the Tax Laws (Amendment) Act, 2024. While a lot more needs to be done to secure the interests of Scheme members, the amendments will provide some relief and hopefully incentivize members to enhance their savings towards their social and economic well-being beyond their working lives.

The writer is the Corporation Secretary at PSSF

Infrastructure Investments: A Strategic Fit for PSSF

By Obed Mbuvi

The Public Service Superannuation Scheme (PSSS) is constantly seeking opportunities to enhance the financial security of its members. Looking toward the future, infrastructure investments are emerging as a key area of interest, offering long-term stability, predictable returns, and sustainable growth. These factors make infrastructure an attractive addition to our investment portfolio.

Globally, the infrastructure sector is expected to attract over $94 trillion in investments by 2040. Pension funds around the world are increasingly allocating capital to this essential asset class. PSSS is actively evaluating how to leverage this growing sector to optimize returns while also contributing to national development. The goal is to position PSSS as a forward-thinking pension fund that not only ensures financial growth but also drives social and economic progress.

Why Infrastructure? The Strategic Benefits

As PSSS refines its investment strategy, infrastructure stands out as an asset class that aligns well with the Fund's long-term objectives. Some of the key benefits include:

Long-Term, Stable Returns

Infrastructure assets such as transport networks, power grids, and digital infrastructure generate consistent cash flows through long-term government contracts, user fees, or service agreements. This stability makes infrastructure an attractive option for pension funds like PSSF, which require reliable income streams to meet future obligations.

Protection Against Inflation

Many infrastructure projects have inflation-linked revenue models, meaning returns adjust in line with rising costs. This ensures that PSSF investments maintain their real value over time, safeguarding members' pension benefits against economic uncertainties.

Diversification and Reduced Market Volatility

Infrastructure investments tend to be less sensitive to stock market fluctuations, making them an excellent way to diversify the portfolio. Unlike equities, which can experience sharp short-term price movements, infrastructure projects provide a steadier return profile, improving overall portfolio resilience.

Economic and Social Development

Beyond financial benefits, PSSF views infrastructure investments as a means of contributing to national economic growth. Investing in critical sectors such as transport, healthcare, renewable energy, and digital infrastructure enhances public services, creates jobs, and improves the quality of life for citizens—including PSSF members.

Long-Term Alignment with Pension Liabilities

PSSF is committed to managing assets in a way that matches long-term liabilities. Since infrastructure projects typically have lifespans exceeding 30 years, they align well with the Fund's requirement for sustainable, long-duration investments.

Lessons from Global Pension Funds

Many pension funds worldwide have successfully integrated infrastructure investments into their portfolios. Some notable examples include:

- Canada Pension Plan Investment Board (CPPIB) – Holds a 40% stake in the 407 ETR toll road in Ontario, Canada. This highway generates long-term, stable revenue through toll collections, aligning with CPPIB's goal of securing predictable cash flows.
- Ontario Teachers' Pension Plan (OTPP) – Owns stakes in London City Airport (UK) and Brussels Airport (Belgium), both of which generate stable, long-term returns as passenger traffic increases.
- Dutch Pension Fund ABP – Invests in large-scale renewable energy projects in Europe, ensuring sustainable cash flows while supporting the transition to clean energy.
- Denmark's ATP Pension Fund – Focuses on wind farm projects across Europe, aligning with Environmental, Social, and Governance (ESG) investment goals while generating stable, government-backed revenue.

These cases illustrate how pension funds can successfully integrate infrastructure investments into their portfolios, benefiting both their members and the broader economy.

> ***"...infrastructure projects provide a steadier return profile, improving overall portfolio resilience.***

Looking Ahead: The Future of PSSF in Infrastructure

While PSSF is still in the early stages of exploring infrastructure investments, it is actively engaging with industry experts, investment partners, and regulatory bodies to assess viable opportunities. Over the coming months, PSSF will:

- Conduct in-depth market research to identify infrastructure projects that best align with its investment goals.
- Engage with government and private sector partners to explore collaboration opportunities in public infrastructure development.
- Develop a structured infrastructure investment strategy that ensures long-term sustainability, risk management, and optimal returns for members.

By strategically incorporating infrastructure into its investment portfolio, PSSF aims to enhance returns, reduce volatility, and contribute to long-term economic growth. Members can be assured that their retirement savings are managed with financial prudence and a vision for a sustainable future.

The Writer is the Finance Manager at PSSF

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FAQs

What is an annuity?

An annuity is a contract agreed upon by a retiree and the retirement fund or an insurance company detailing how monthly pension payments would be made to the pensioner for the rest of their life.

Do I lose my savings if I change employment and I am below 50 years?

Your savings will not be lost. Upon changing employment, a member may transfer the retirement savings to another registered scheme or leave the savings with the scheme until the attainment of retirement age.

What happens in case of death of a member of the Scheme?

In the event of death of a member, benefits (usually a one-off lump sum) are paid to nominated beneficiaries. It is therefore critical that all members nominate beneficiaries in a prescribed form.

How the Government Regulates & Supports Pensions in Kenya

By Donna Atieno

A well-structured pensions system is a key component of the social security framework of a country, designed to ensure financial stability for the citizens in their post-working years. In Kenya, the Government plays a significant role in shaping the pension industry through legislation, regulation, and direct involvement in pension schemes. The role of the Government is aimed at building a strong and sustainable pension system that safeguards the future of its workforce.

The Regulator: Setting the Rules of the Game

The foundation of pension regulation in Kenya lies in the Retirement Benefits Authority (RBA), established under the Retirement Benefits Act (1997). The RBA is the principal regulator, tasked with supervising and controlling the establishment and management of retirement benefits schemes. Through RBA the Government ensures compliance with pension laws, monitors fund management, and protects retirees' interests.

The Authority has several mandates to ensure that it meets its objectives. The RBA licenses all retirement benefits schemes, fund managers, and administrators, ensuring they adhere to strict operational standards and ethical practices. Regular audits and inspections are conducted to monitor compliance and mitigate risks. The Authority sets practical guidelines on investment, governance, and reporting, safeguarding members' funds from mismanagement and fraud. These guidelines dictate asset allocation, risk management, and transparency requirements, promoting responsible investment practices. The RBA also acts as a watchdog, protecting the rights and interests of pension scheme members. It investigates complaints, resolves disputes, and ensures that members receive their benefits promptly and accurately.

The RBA also possesses enforcement powers, including the ability to impose penalties and sanctions on non-compliant schemes and service providers. This ensures that regulations are taken seriously and that the integrity of the pension system is maintained.

Beyond the RBA, another regulatory body playing supporting role is the Capital Markets Authority (CMA) which regulates the investment of pension funds in capital markets, ensuring that investments are conducted within a secure and transparent framework.

The Participant: Direct Involvement in Public Sector Pensions

The Government is also a direct participant in the pension sector, managing retirement schemes for public sector employees. This has been achieved through the establishment of Public Service Superannuation Fund (PSSF) which manages the retirement benefits of public servants, teachers and members of the disciplined forces. This scheme is designed to ensure that public sector employees receive adequate retirement benefits after years of service. The Government also manages separate pension schemes for military personnel, recognizing the unique nature of their service.

Despite the Government's interventions, the pension sector faces several hurdles. The informal sector, which constitutes the majority of Kenya's workforce, remains largely uncovered and many workers do not fully understand the importance of pension savings, leading to low voluntary participation. Some employers fail to remit pension contributions, while mismanagement of funds poses a risk to retirees

The Government plays an indispensable role in shaping Kenya's pension landscape through policy, regulation, and direct pension administration. While significant strides have been made, more needs to be done to address challenges such as low coverage and fund mismanagement. By embracing innovative solutions, enforcing compliance, and promoting financial literacy, Kenya can build a more active pension system that guarantees financial security for all retirees.

The writer is an Advocate of the High Court of Kenya

Is Islamic Finance a new frontier in Kenya's Pension Industry?

By Erick Nandwa

Islamic finance is not a new concept. Propelled by Islamic religious beliefs and ethical standards, the concept origin traces back to the 7th century when trade and financial transactions in Islamic societies were conducted based on Sharia principles.

As entrenched in Islamic religious beliefs, Islamic financial laws prohibit interest (Riba), excessive uncertainty (Gharar), and investments in businesses considered haram (Prohibited), such as alcohol and gambling, and instead, root for profit-sharing models, asset-backed financing, and ethical investment principles.

The origin notwithstanding, Islamic finance concept provides a viable and attractive alternative to conventional banking and investment models. In the second half of the 20th century, Islamic finance movement gained momentum globally, with countries such as Malaysia and Saudi Arabia leading the way in establishing dedicated Islamic banks and financial institutions. Today, the industry has evolved into a multi-trillion-dollar sector spanning banking, insurance (Takaful), and capital markets, including Sukuk (Islamic bonds).

In Africa, Islamic finance has seen rapid growth in markets like Sudan, Nigeria, and South Africa, where Sharia-compliant financial instruments have been established and operationalized.

Unlike other East African countries, Kenya has emerged as a leading hub for Islamic finance, with key regulatory developments and financial institutions actively offering Islamic banking, Takaful insurance, and Sharia-compliant investment products.

Remarkably, Kenya has made strides in fostering Islamic finance with pioneering institutions like Gulf African Bank and First Community Bank paving the way for Sharia-compliant banking. The country has also introduced Sukuk (Islamic bonds), creating a fertile ground for ethical investment opportunities.

What then is the implication in of the Islamic finance in the pensions industry?

Islamic finance is transforming the global pension industry. Rooted in ethical and Sharia-compliant investments, Islamic Financing has been offering a principled alternative to conventional retirement savings. Through eliminating interest-based earnings, excessive uncertainty, and investments in prohibited industries such as alcohol and gambling, the concept has promoted acceptable ethical investments focused on profit-sharing, sukuk (Islamic bonds), and other halal investments that align with Islamic principles.

At the global perspective, Countries such as Malaysia, Saudi Arabia, the UK, and Indonesia have successfully incorporated Islamic pension schemes, proving their viability and growing demand. This momentum is shaping a more inclusive financial future for Muslim populations worldwide.

In Kenya, the pension industry is still evolving. In 2012, through the enactment of the Public Service Superannuation Scheme Act, and the subsequent operationalization of the Public Service Superannuation Fund (PSSF) in 2021, Kenya's Public Service Pension transitioned from defined benefit (DB) schemes to defined contribution (DC) schemes. Currently, having existed for more than three years, the scheme membership has grown to 440, 640 with an assets base of Kshs 190 billion. With this huge potential, the Fund provides a platform for embracing financial innovation, inclusivity, and economic diversification, including propelling the concept of Islamic finance.

Could embracing Islamic financing and ethical-based sharia-compliant investments alternative therefore be one of the game-changer for in Kenya's Pension industry? The answer is definitely yes!

Offering Islamic pension schemes is inevitable. In the recent past, there has been a growing demand for Islamic financial pension products. Despite the demand and Kenya leading other East African countries in promoting Islamic Finance, a closer review of the Kenyan pension industry indicates that Kenya is lagging in terms of addressing the divergent and pressing financial investment needs for the estimated 11% of its Muslim population.

Currently, most existing pension funds invest in conventional interest-bearing instruments such as treasury bills and bonds, making it challenging for Muslim contributors to align their savings with their faith. With the PSSF's current assets and membership, introducing Islamic pension options could significantly enhance financial inclusivity. The transition to a DC scheme and operationalization of PSSF therefore came with new opportunities for Kenya's Pension industry to design and integrate Sharia-compliant pension products.

The adoption of Islamic finance in Kenya's pension industry and especially in PSSF investment planning is not just about religious considerations or just a niche for development. From the pensions point of view, Islamic Financing has gained momentum globally as a new frontier for driving financial innovation, economic diversification and therefore considered as a transformation that promises greater inclusivity and choice for members in the pension sector. Countries like Malaysia have shown that Islamic pensions can thrive alongside conventional systems, offering competitive returns while adhering to ethical investment principles.

The time is ripe for Kenya to take bold steps in integrating Islamic finance into its pension sector. The ground has been laid. The existence of sharia compliant products, support banking systems, insurance services, as well as the licensing of Kenya's first Sharia-compliant pension product in 2013, by the Retirement Benefits Authority (RBA) provide a platform for shifting towards inclusive pension options that align with Islamic principles.

As one of the leading players in the Kenyan Pension industry, PSSF is well positioned to take the lead in driving the concept of Islamic financing. This is through developing and promoting targeted ethical, acceptable and Islamic faith-based Halal financial products such as investing in Sukuk (Islamic bonds), Shariah-compliant equities, ethical real estate investments, and Takaful (Islamic insurance) while offering financial protection. Achievement of this, however, calls for greater responsibility and commitment of the regulators and industry players. More specifically, there is a need for establishing a supportive legal framework paving way for the formation of a Shariah advisory Board, developing requisite capacity among industry players as well as embracing research, innovation and learning for continuous improvement.

The writer is the Head of Strategy at PSSF

Strengthening Trust and Security in Retirement Benefits

By Douglas Asanyo

Since inception in January 2021, the Public Service Superannuation Scheme (PSSS) has remained steadfast in its vision of being "A trusted retirement benefits provider" for public sector employees across the nation. This commitment drives every decision made, ensuring that members' savings are prudently managed and a secure retirement is assured.

In addition to the safety and security of members' savings, the scheme espouses transparency that is built on a foundation of excellence and good governance. In this article, we reflect on five pillars on the strength of which the scheme stands out as a testament to our commitment to building and maintaining unwavering trust with our members.

1. A Governance Structure You Can Rely On

Established under the PSSS Act, Cap 189A of the Laws of Kenya, the Scheme's structure is crafted to uphold transparency, accountability and integrity. The PSSS Act, alongside the internal policies in place, ensures that every action taken aligns with the members' best interests. The Scheme is governed by a Board of Trustees that operates with a clear mandate to prudently invest member contributions and pay out retirement benefits as they fall due and, while at it, safeguard member contributions to ensure optimal returns. In addition, in line with the Retirement Benefits Act, PSSS has engaged service providers who are professionals to efficiently manage and ensure the safe custody of scheme assets.

2. Legislative Backbone: A Mark of Stability

RBA requires that a pension scheme is established through a Trust Deed and Rules or a Statutory Instrument. Unlike many of the hundreds of pension schemes in the country that operate under Trust Deeds and Rules, PSSS stands apart as one of the few schemes anchored in legislation. Statutes like the PSSS Act are not easily altered; they require a deliberate, participatory process that reflects the will of stakeholders. This stability is a strength which protects the scheme from hasty changes and ensures that any amendments serve our members' long-term interests. The Scheme is currently engaged in an open process of refining the PSSS Act to align it with emerging trends and best practices in the retirement benefits industry.

3. Walking with Members Every Step of the Way

Since commencement, PSSS has prioritized open and clear engagement with members through various means including sensitization programs, newsletters, social and mainstream media and direct and direct interactions. This has ensured that members are continually informed and involved. Retirement planning is not a distant concept, but a journey that we are walking with every member. The member portal, online presence on diverse social media channels and regular updates further empower members to track their savings and plan with confidence. Through these engagements, PSSS has not only enhanced communication but it has also built partnerships with members and stakeholders where trust thrives.

4. Audits: A Clean Bill of Health

PSSS undergoes regular audits by the Retirement Benefits Authority (RBA), the Auditor General and other relevant government agencies, who have consistently given a clean bill of health. These independent assessments affirm that the Scheme's financial management, compliance, and operations meet the highest standards.

5. A Wealth of Expertise for a Diverse Membership

To serve a wide-ranging membership, PSSS draws on a pool of diverse trustee skills and expert input from various professionals engaged from time to time. In addition, the Trustees continue to ensure that the secretariat has the best of talents to manage the operations of the Scheme in a manner that elevates it to be an example for other schemes to benchmark with.

The collective wisdom and expertise from various individuals and sectors encompassing financial and investment acumen, policy insight, and industry knowledge ensure that the decisions ultimately made by the trustees reflect a deep understanding of the dynamics and enable the Scheme to address members' unique needs specifically and effectively.

Looking Ahead with Confidence

PSSS remains committed to evolving with the retirement benefits landscape. The ongoing amendments to the PSSS Act, our focus on member engagements, and our unwavering adherence to good governance standards are all steps geared towards a stronger and continually trusted scheme. Through all these, PSSS is not just preparing members for retirement, but shaping a future where public sector employees can retire with dignity and security.

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