KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME & KPC RETIREMENT BENEFITS SCHEME (DC) 2006

Newsletter | Edition 1, 2016

Contents

Pension Secretariat Note:

This quarterly newsletter is an initiative of the Pension scheme secretariat to keep members updated on the Schemes' matters.

The 411 provides you with a fresh and insightful look into your retirement fund as well as other topical issues regarding your personal finances.

Should you have any queries about anything contained in this note, or if there is anything you would particularly like to read about in future issues, please contact the following:-

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UPDATE FROM THE SECRETARIAT

Know your Trustees

Kenya Pipeline Company Retirement Benefits Scheme (DB Scheme)

Sponsor Nominated	Member Elected
Felicity Biriri- Chairman	Agnes Gituro
Joe Sang	George Simiyu
Maj. (Rtd) Iltasayon Neepe	Lucy Kariuki
Gloria Khafafa	Lamik Rotich
Washington Oluoch	

Kenya Pipeline Company Retirement Benefits Scheme 2006 (DC Scheme)

Sponsor Nominated	Member Elected
Samuel Odoyo	George Simiyu- Chairman
Caxton Njuga	Agnes Gituro
Jane Nakodony	Lucy Kariuki
Francis Muraya	Lamik Rotich

The Big Move

The Schemes' Secretariat shifted from Kenpipe Plaza to Crescent Business Centre (pictured) in Parklands, Nairobi.

Announcement:

Trustee Elections are scheduled to be held on 30th June 2016 overseen by the following election committee members:

1. Godfrey Ngondi
2. Jael Ludeki
3. Francis Cherutich
4. Hellen Gichuru
5. Jonah Aiyabei

INVESTMENT BRIEF

Economic Review and Outlook

General Overview

The investment markets during Q1 of 2016 showed marked improvement from Q4 of 2015 giving most retirement funds hope that 2016 could already possibly be a better investment year than 2015.

Inflation

The inflation rate steadily decreased throughout the quarter from 8.0% to 6.5% owing to lower diesel, gas and petrol prices, declining food inflation driven by the rainfall experienced in January and February.

Currency

The KES stabilized against the USD in Q1 of 2016 The current outlook remains at levels above KES100/USD.

Equity Market

Market indices recorded mix performance in Q1 2016. The NSE 20 Index shed 1.5% while the NASI Index gained 1.2%. With unremarkable performance of the equities market during the quarter, there was limited activity by most retirement funds in this segment.

Fixed Income Market

In Q1 2016, short term rates trended downwards. The 91-day Treasury bill rate averaged 10.2%. The 182-day Treasury bill and 364-day Treasury bill averaged 12.58% and 13.4% respectively.

The Central Bank Rate was retained at 11.5% by the Monetary Policy Committee.

Global Markets

The global markets remained stable with a close eye kept on the US Federal Reserve which retained its benchmark rate at 0.25%.

The MSCI All Country World Index declined by 1.2%

Quarter 1 2016: Fund Investment Performance

The value of the assets of the DC Scheme was **KES 4 billion.**
The value of the assets of the DB Scheme was **KES 7.3 billion**.
The asset mix in the Scheme for the quarter ended 31 March 2016 was as follows:-

DC Scheme

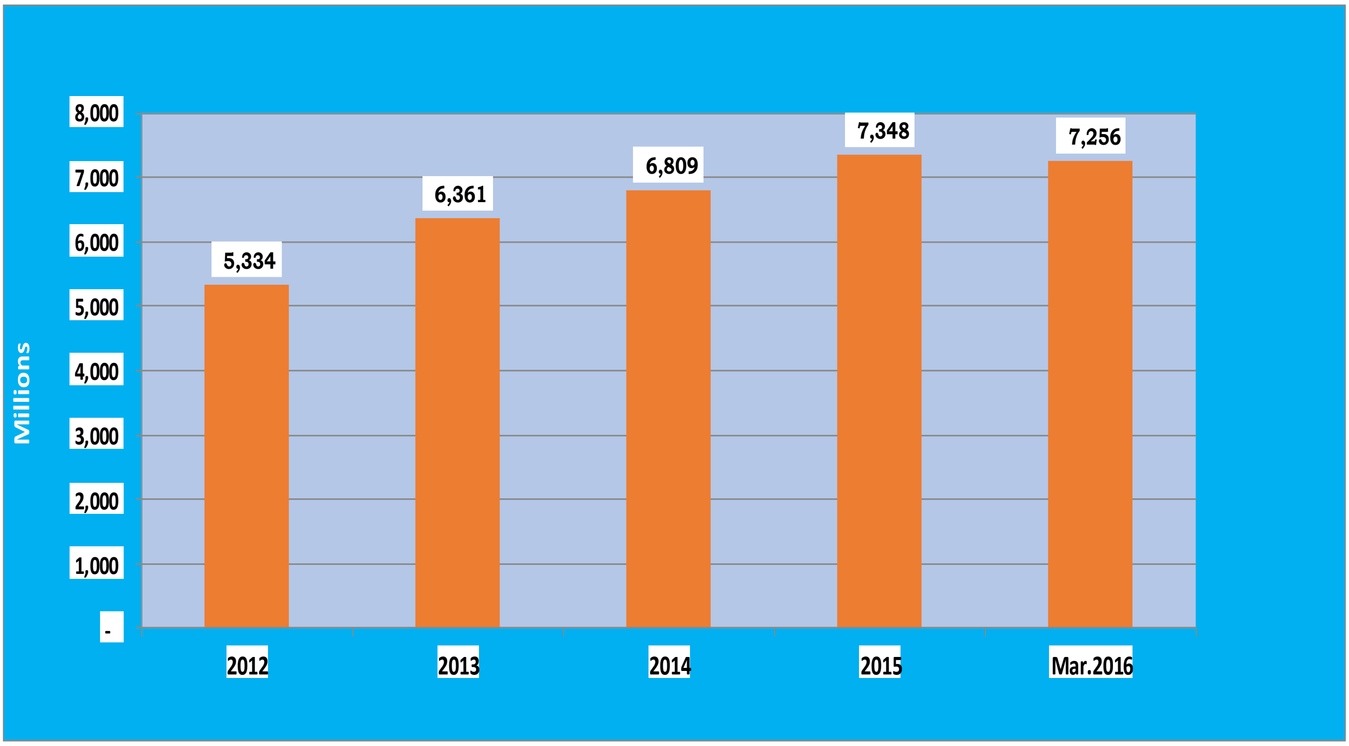
Asset Class	Asset Value (KES m)
Cash & Demand Deposits	64.0
Fixed Deposits	123.1
Commercial Paper & Corporate Bonds	306.3
Government Securities	1,801.7
Quoted Equities	1,302.9
Unquoted Equities	27.2
Property	390.2
Total	4,015.5

DB Scheme

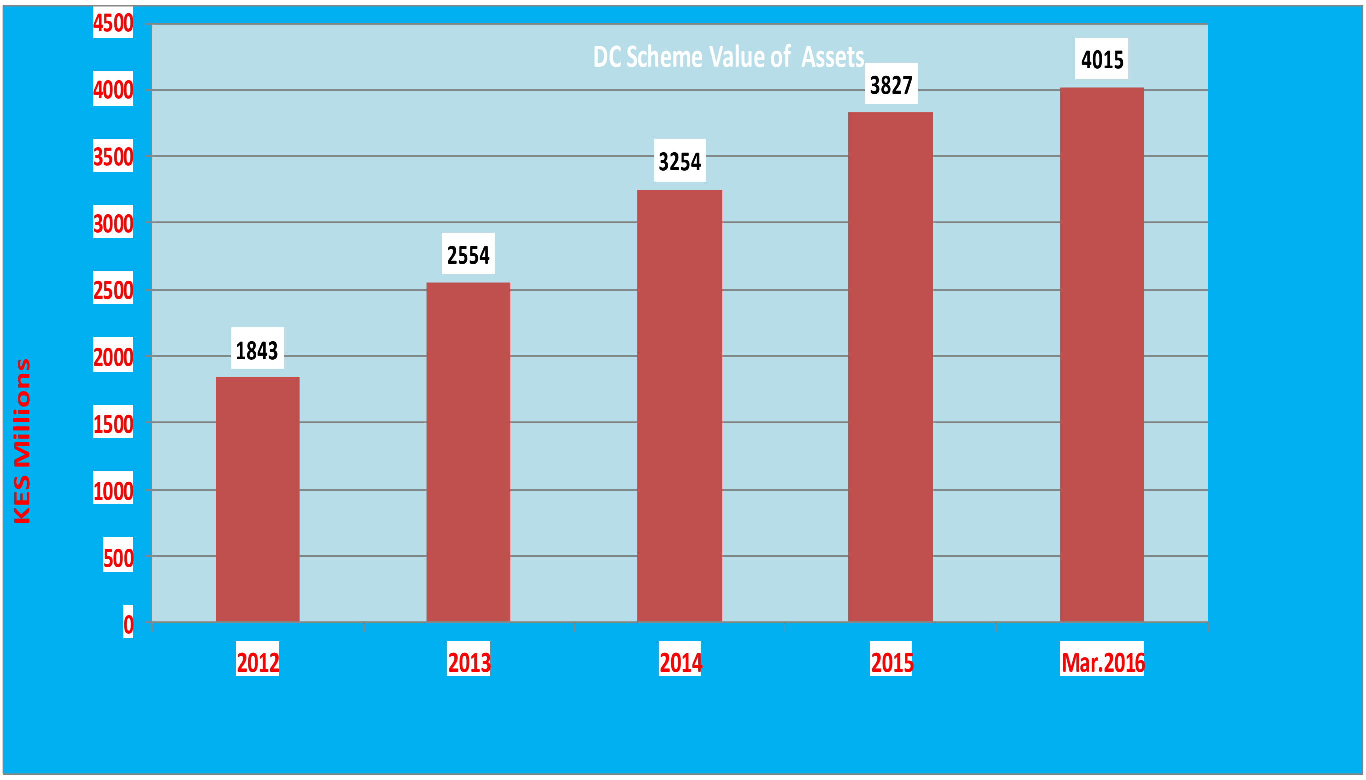
Asset Class	Asset Value (KES m)
Cash & Demand Deposits	489.7
Fixed Deposits	201.0
Commercial Paper & Corporate Bonds	522.6
Government Securities	2,325.8
Quoted Equities	1,842.1
Unquoted Equities	9.9
Property	1,865.0
Total	7,256.1

INVESTMENT BRIEF CONTD:

DB SCHEME FUND VALUE FOR THE PERIOD 2012 TO MARCH 2016



DC SCHEME FUND VALUE FOR THE PERIOD 2012 TO MARCH 2016



THE POWER OF 1%

We all constantly hear about the need to save: Save for a rainy day, save for your children's education, save for your retirement. However, in today's world of consumerism and instant gratification, it is easy to get tied up in the here and now and to believe that the future will work itself out. As soon as that time machine is up and running, Future You will be coming to give Present You a piece of their mind!

The **power of 1%** stems from the 'magic' of compound interest. Compound interest, in simple terms, is where your interest earns interest. In other words, after the first year your savings will have grown with interest. In the second year, the first year's interest is part of your savings and hence will also earn interest in the second year – hey Presto! Compound interest.

To show you the impact of compound interest, lets use a simple numerical example. Let's assume you save a fixed amount of KES 1,000 every month for 30 years. The table below shows you your savings balance after 30 years, applying different net investment returns of 10%, 11% and 12%.

KES 1,000 per month earning an annual net return of:	**10%**	**11%**	**12%**
Balance after 30 Years (KES)	2,062,843	2,506,390	3,052,013

It is important to note from the table above how much of your balance is made up of interest. Remember, in all three examples above, your own capital is only KES 360,000 (KES 1,000 x 30 x 12). That means that over 80% of your balance is actually investment income and not your contributions!

Equipped with a better understanding of compound interest and the power of 1%, let's try and illustrate the importance of saving early and maximising your returns in the form of an example.

Let's take a new graduate, Patricia, who is starting out her career at the age of 20. Patricia would like to secure her financial well-being and decides to immediately start saving 10% of her salary every month. If we assume that Patricia's salary goes up 8% every year, and that her savings earns net interest of 10% every year, when she reaches the ripe age of 60, her savings account will be 6.1 times her annual salary at that time.

What if Patricia had procrastinated on her savings plan and not actually started saving until she was 30? Now she is saving for 30 years instead of 40 years, but that is still a long time to save and she should still build up a large savings balance, right? Wrong! Instead of having a balance equal to 6.1 times her annual salary, her balance will only be 4.2 times her salary. She would have to save nearly 15% every month, instead of the originally planned 10% simply because she started saving later to reach the same goal.

Let's go back to the pro-active Patricia who saved for 40 years, and let's see the power of 1%. Remember, Patricia has saved up a balance that is equal to 6.1 times her final salary, by saving 10% of her monthly salary (and assuming she earns 10% a year on her savings while her salary grows 8% each year). If Patricia can earn an extra 1% return on her investments (a return of 11% per year), her savings balance at 65 will be 7.6 times

In today's economic environment, to retire comfortably at 60 you would want to have savings equal to about 8 to 10 times your annual salary immediately before retirement. This should allow you to secure a lifetime pension that replaces at least 70% of your pre-retirement income and allow for some modest annual increments to

When you start saving early, and you save aggressively, a little can go a long way.

THE ELUSIVE WORK-LIFE BALANCE

Do you find it difficult to balance the different roles in your life?

If so, you are not alone. The challenge of work life balance is one of the most significant struggles faced by the modern man.

A third of full-time workers say it has become more difficult to manage work-life balance, with younger generations and parents hit hardest, according to an Ernst & Young report based on a survey of 9,699 employed persons across a variety of companies in 8 countries.

More than ever before, we play many different roles in our lives. We are workers, parents, spouses, friends, caregivers of elderly relatives and volunteers in our communities. Moreover, we must also make room in our lives for some “me” time. Not surprisingly, achieving balance among all these competing priorities can be difficult.

The end result is feeling overwhelmed, overloaded or stressed by the pressures of multiple roles. You may not have much control over the hours you have to work, but you can look for ways to bring greater enjoyment into my life. Focus your time and attention on things you can control.

Here are some ways to bring a little more balance to your life:-

ACKNOWLEDGEMENT:

We acknowledge our financial advisers, Alexander Forbes Financial Services, for their input on this first edition of the newsletter.