We're Better Together

Dear Esteemed Customer,

We are pleased to share the second edition of The LION’s Perspective. In this bulletin we not only provide a market review but also the changes contained in the 2017/2018 Budget. We have also included a few more Frequently Ask Questions (FAQS) about the Personal Retirement Scheme (PRS). We trust this will provide you with some insights regarding your investment with us. In an effort to enhance your customer experience, we continue to confirm and upgrade our client data in order to serve you better.

Our commitment to delivering on our promises to you was acknowledged when ICEA LION Life Assurance was crowned Life Assurer of the Year for the 5th Year in a row (2013-2017). We thank you for allowing us to protect and create your wealth.

Yours Sincerely,
Eunah Thinwa

Assistant General Manager (Operations) - ICEA LION Life Assurance

MARKET UPDATES

- **GDP Growth** - During 1Q17, economic growth decelerated to 4.7% versus a growth of 5.3% in 1Q16 mainly on account of a contraction in the agricultural sector due to insufficient rainfall and delay in onset of 2017 long rains and deceleration in growth within the financial intermediation sector.

  Economic growth for 2017 is likely to be affected by the slowdown in private sector credit growth coupled with a wait and see attitude adopted by investors ahead of the August general elections. The growth of small and medium enterprises, which are a huge contributor to the country’s economic growth, is likely to be muted due to a decrease in loans disbursed to the sector. However, government’s efforts to complete flagship projects prior to the August elections and increased spend, could help spur economic activity.

  A decrease in GDP growth is an indication that businesses are growing at a slower rate. Lower economic growth is expected to result in unimpressive company earnings/dividends which could negatively affect the equity market.

- **Inflation** - Subdued food and oil prices coupled with low consumer demand is expected to tame inflation. Food inflation is expected to decrease as supply increases as a result of a return to normal weather conditions and government interventions. In addition, low global oil prices on account of persistent oversupply concerns is further expected to keep a lid on inflationary pressures. Meanwhile, weak demand from the private sector is likely to keep core inflation subdued. The June 2017 headline inflation rate stood at 9.21%
• **Interest Rates** - The interest rates on the 91 and 364 day T-bills marginally decreased from 8.76% and 10.91% in March to 8.28% and 10.87% in June. Real returns on T-bills and deposit rates remained negative as a result of the high inflation rate. Bond yields are expected to remain at current levels with a downward bias as Central Bank tightly manages the yields. As the government begins a new fiscal year, pressure on it domestic borrowing program is likely to remain muted due to the banking sector’s reluctance to lend to the private sector. Political unrest and an increase in government expenditure which could force the Central Bank to accept aggressive bids pose a threat to this view.

• **Stocks/Equity** - The equity market generally trended upwards during the first half of 2017 supported mainly by local investors. Foreign investors were net sellers. Current valuations in the equity market remain attractive as a result of a two-year decline in the local bourse. This coupled with a possible decrease in interest rates is likely to provide impetus to the NSE. A drag to the equity market remains the uncertainty surrounding the general elections and possible decrease in company earnings due to a slowdown in economic activity.

• **Exchange Rates** - The Kenyan shilling is expected to remain stable against the USD throughout the year. CBK’s sufficient forex reserve cover will enable the Bank defend the currency against any adverse shocks and help tame volatility. The major risk to this outlook is the remote possibility of an internal shock that could be caused by political unrest.

• **Declared Rate** - We declared a net rate of return of 9.00%

• **Member Statements** – The final printed statements for 2016 have already been distributed to members. Please let us know if you have not received the same or if there are any discrepancies.

• **Retirement Benefit Committees** – We encourage each organization to form a committee that will be in charge of overseeing the affairs of staff retirement program. We would also liaise with the committee to receive feedback from staff on how we can engage better. We will also plan member education for your staff through the committee.
BUDGET CHANGES SUMMARY– 2017/2018
The following changes were made to the Retirement Benefits Act and the Retirement Benefits Regulations during this year’s budget speech.

- **Trustee remuneration** – trustees of occupational schemes will now be required to seek members consent at Annual General Meetings to be paid sitting allowances every three years.
- **Compliance requirements** – a trustee can now be removed from office for noncompliance with the retirement benefits regulations.
- **Statutory returns** – fines have now been prescribed in law for failure to submit statutory returns.
- **Quarterly returns deadline** – the deadline for submitting quarterly returns to the retirement benefits authority by scheme administrators has been extended from 10th to 15th of the end of the month succeeding the quarter.
- **Board of trustee meetings** – the meetings have been reduced from a minimum of four to a minimum of two per year.
- **Appointment of scheme administrator** – the scheme administrator should not be related to the corporate trustee.

The above changes are for your information only though you are encouraged to obtain full details of these changes from Legal Notices NOs. 49, 50, 55, 3rd April 2017 and the Finance Bill 2017.

PRS FACTS & FREQUENTLY ASKED QUESTIONS

1. **Need to continually set aside retirement funds:**
The Personal Retirement Scheme that has been put in place to ensure that contributors have something to lean on upon retirement from active employment. Life never ceases regardless of changed circumstances and this scheme entitles you to comfort even when monthly income stops. A personal retirement scheme can be Contributory (Employer sponsored) or Non-contributory (individual sponsored).
2. How much do I contribute?
The contribution rates depend on the structure adopted by the employer. It is usually a percentage of the basic salary. However you are free to contribute over and above the stipulated rates as your financial status improves i.e. additional voluntary contributions.

3. Tax benefits to a retirement scheme:
Subject to limits set by Income Tax Authorities from time to time, contributions up to a given limit (currently standing at Kshs. 20,000/= per month including N.S.S.F.) is tax deductible and investment income is tax-free. Any payment from the Scheme by way of withdrawal benefit and retirement benefit is tax free up to a maximum of Kshs. 600,000/= (i.e. Kshs. 60,000/= for each year of service but for a maximum of 10 years). The aggregate tax-deductible contribution by both the employee and employer in any year of income is currently standing at a maximum of Kshs. 240,000/= These limits are reviewed from time to time by the Income Tax Authorities, as they deem appropriate.

4. On leaving employment you may take one of the three options:
- elect to receive a return of all contributions plus accrued interest immediately or at a later date of your choice.
- continue making contributions to your account on your own or
- transfer your benefits to a retirement scheme of the new employer or to another Individual Retirement Fund of your choice.

If the scheme is contributory, you can only access up to 50% of employers’ contribution. The balance is accessed on attainment of age 50.
5. How do I claim the benefits?
The following documents are required to process your benefits:
• Duly signed and stamped claim form by the employer.
• Original deed of adherence.
• Copy of your National Identity Card or Passport.
• You must also have an updated PIN (iTax).
• Passport size photograph.

The benefits will be paid to your account directly within 5 working days from the date of receipt of all documentation.

6. Loss of Deed of Adherence:
In the event that the Deed of Adherence is lost and cannot therefore be produced when claiming, the loss shall be advertised in one of the widely circulated Daily Newspapers and the Kenya Gazette before settlement at the policyholder’s cost. It is therefore important to securely keep the contract document issued to you and produce it as and when it is required.

7. On death while in employment:
A cash lump sum of the total amount of your contributions to the Scheme plus interest thereon will be paid to your nominated beneficiary. The lump sums will be paid for the benefit of your dependents who may include a person or persons covered by a Nomination of Beneficiary form.

8. Nomination of beneficiary:
You may appoint one or more of your dependants or relatives to whom you would wish the Trustee to pay the benefits due in the event of your death.

The nomination ensures that payment can be made to your dependants promptly without being included in your estate. The nomination will not be binding on the Trustee. However, the Trustee will, where they hold a Nomination of Beneficiary, pay particular attention to the deceased member’s wishes.

You may change your nomination at any time in writing.

9. Benefits management:
The benefits under the scheme are managed by the ICEA LION Life Assurance Company Limited in a guaranteed fund. The guarantee protects the fund from impairment by investment loss. Loses due to inflation is not guaranteed. The current minimum guaranteed rate of return is 4% per annum compound.

10. You can use your benefits to secure a mortgage:
Assignment of benefits is now allowed for purposes of securing a mortgage loan issued by an institution approved by the Retirement Benefits Authority. You may assign up to 60% of your benefits to secure a mortgage.

11. You can use your benefits to purchase an annuity:
You have the option of selecting the service provider from whom to purchase the annuity/pension. Quotations for your consideration can be obtained from various service providers to enable you make an informed decision.

12. Scheme expenses payment:
The ICEA LION Individual Retirement Benefits Scheme pays all reasonable charges and expenses incurred by the Trustee in connection with the administration and management of the fund. Such expenses are disclosed in the annual
financial statements of the Scheme.

13. What is the difference between Personal Retirement Scheme and Group Personal Retirement Scheme?
An individual personal pension is personal retirement savings plan set up by a member to secure his/her retirement. The member may access his/her benefits at any time on withdrawal.

When such members are in one group (especially where the employer is involved), they form a Group Individual Personal Pension (GPRS). The employer is free to participate in the GPRS by making contributions on behalf of the members.

TECHNOLOGY AND HOW IT IMPACTS OUR LIVES
To navigate through an ever changing world, we must know our past and anticipate the future. Emerging social, economic, technological and environmental trends keep us on our toes. Technology has not only changed our way of life, but also what affects our lives. In the next few articles, we shall share some insights on emerging technology and how it will impact our lives. In this issue, we will address Cancer.

Cancer treatment revolution – liquid biopsy and immunotherapy
Imagine a society with half today’s cancer deaths? This could lead to people living even longer. It is a fact that in the emerging and developed economies, cancer is still one of the major causes of death. Research has made significant progress with regards to both screening methods and immunotherapy treatments.

Cancer screening methods evolve fast. They might help to detect cancerogenic developments in the body at an earlier stage. One of those methods is liquid biopsy which is a new molecular technology being explored for its use in helping treat and detect cancer. It is a minimally invasive technique that can identify genetic material from tumor cells shed into the blood from a primary tumor. Liquid biopsy is being tested for its use to monitor patient’s response to treatment, to identify actionable genetic markers for targeted therapy/treatment, to support disease prognosis and to detect disease recurrence. For the foreseeable future however, histopathology will remain the standard for cancer diagnosis and staging.

While immune systems can attack invading infections, it can’t prevent the development and spread of cancer cells. Recent developments in immunotherapy has attracted increasing attention due to their potential for cancer drug treatments. Such treatment can stimulate the body’s immune system to recognize and attack tumors. Skin and lung cancer are among the types of cancer that could most effectively be treated.
The potential impact of the above developments are that the new liquid biopsy test will benefit cancer patients and improve their survival.

This is an excerpt from Swiss Re SONAR, a global publication from Swiss Re, one of the Largest Reinsurance Companies in the World.

CLIENT INFORMATION UPDATE/CONFIRMATION
Following the recent upgrade to our operating system, the Company is now at the phase of reconfirming personal details held in our system for the policyholders and we shall be getting in touch with the PRS customers in our records to complete the exercise.

For any enquiries or clarification you can drop an email to prs@icealion.com or contact Ephraim Kinyua (0719 071290) or Felix Chomba (0719 071256).

The ICEA LION Group Team is ecstatic at being recognized for its commitment to delivering on its promises. This outstanding achievement is a testament to our trailblazing spirit and focus on delivering solutions for our esteemed Clients. We dedicate our 10 awards to our Clients, the ICEA LION family, our directors, shareholders and business partners.

Thank you for helping us deliver on our promises.

General Insurer of the Year (2014 and 2017)  
Life Assurer of the year (5 years in a row)