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NSSF's operating expenses erode workers savings

SOURCE/ NSSF

FIRM	JUNE 2014	JUNE 2013
Kenya Commercial Bank	Sh11.52 billion	Sh8.47 billion
Bamburi Cement	Sh9.90 billion	Sh12.23 billion
East African Breweries	Sh8.69 billion	Sh10.95 billion
National Bank	Sh4.00 billion	Sh2.83 billion
BAT Kenya	Sh3.17 billion	Sh2.92 billion
Barclays Bank	Sh2.72 billion	Sh2.54 billion
Nation Media	Sh2.64 billion	Sh2.60 billion
Britam	Sh2.30 billion	Sh961.45 million
Safaricom	Sh2.13 billion	Sh914.69 million

EXPENDITURE: NSSF invested workers' contributions in some of the top companies listed at the NSE.

BY CONSTANT MUNDA

MORE than half of annual workers' contribution to the National Social Security Fund still goes into administrative costs, the agency's latest financial statement shows.

The NSSF said in the Kenya Gazette on Friday that 58.15 per cent of the Sh8.41 billion received in the year ending June 2014 went into running its day-to-day operations, including settling salaries and wages.

Administrative costs during that year amounted to Sh4.89 billion, the filing shows. This was, however, an improvement from the previous year through June 2013 when Sh6.44 billion or 82.56 per cent of the Sh7.8 billion saved by workers went into operating expenses.

For years, the Fund has struggled to keep its expenses low, prompting the drafters of the NSSF Act 2013 to include a clause that caps them at two per cent of assets, based on increased deductions.

The increased NSSF rates to 12 per cent of the salary – shared equally between the employee and employer – was suspended in June 2014.

Net assets stood at Sh153.02 billion in June 2014, 13.41 per cent more than Sh134.93 billion the year before. That implies 5.50 per cent of the assets went into administrative expenses up from 4.77 per cent the previous year, indicating the costs were rising rather than reducing as intended by the NSSF Act of 2013.

In the review year, net return on investments declined by Sh11.01 billion or 40.30 per cent to Sh16.31 billion from Sh27.32 billion a year earlier.

NSSF says it paid an interest of 12.5 per cent during that year based on actuarial valuation by Alexander Forbes.

"Section 2 of the NSSF Act of 2013... requires that investment income be credited to the accounts of individual members, at such rates as the Board may, in consultation with the actuary or such other qualified person, determine and approve at least annually, having regard to the income on the Fund's assets," acting chief executive Antony Omerikwa and chairman Karithi Murimi said in the statement.

About 36.84 per cent or Sh56.38 billion of the net assets was held in shares of public companies, a rise of 10.27 per cent from Sh51.13 billion in the year to June 2013.

Investment in government securities at Sh36.67 billion accounted for 23.96 per cent of the assets, while Sh20.61 billion was held in land and building, Sh8.94 billion in undeveloped land, Sh3.33 billion in corporate bonds and Sh1.42 billion in private equity.

"The Fund is determined to leverage on its strength and the conducive business environment to continue championing the socio-economic welfare of our people," Omerikwa and Murimi said.

Liquid Telecom targets county fibre links

BY MERCY GAKII

INTERNET and data services provider Liquid Telecom will spend Sh102.15 million this year to increase the number of new wireless fibre optic hot spots in Kenyan urban centres.

The company has set up 200 free wifi hot spots in the country's major towns including Kisumu, Mombasa, Nakuru, Kajiado, Eldoret and Nyeri.

Their partnership with counties has seen Internet connected in 39 out of 47 counties, with metro networks to be built next year in Meru, Nyeri, Machakos and Murang'a.

Kenya National Highways Authority will leverage on these networks to connect major highways to broadband and improve security along major roads in the country, said Liquid Telecom chief executive Ben Roberts.

The Internet providers have begun to connect 400 independent communications towers with fibre, and are linking 1,000 commercial buildings to Internet as means of targeting small and medium businesses which operate within the buildings with Internet packages of between 10 and 100 megabytes per second.

Can YOU outsmart the expert?

ALY KHAN'S STAR PORTFOLIO

KENYA AND EAST AFRICA ON THE UP AS THE REST OF SSA SLUMPS

For a while, I have been saying that Kenya and East Africa looks like a bright star in what increasingly looks like a darkening sub-Saharan sky. The shilling has been 'Teflon' since October and its performance is a signal in the noise. With the exception of South Sudan [its going to take decades for this leadership to get it] and Burundi [where the African Union blinked], this region is shining bright. Kenya is expected to post a six per cent GDP handle in 2016, Tanzania a seven per cent, Uganda around five per cent, Ethiopia [even with a drought that has scorched farmlands] probably eight per cent and the DR Congo [where the more intrepid Kenyan corporates are stealing a March] somewhere around nine per cent.

Meanwhile Nigeria, the biggest economy in SSA, will surely contract in 2016 and not least because its president is determined not to devalue the naira. The curve of history [from Soros skinning the Bank of England in 1992, to the Mexican peso crisis in 1994, to the Thai baht crisis in 1998 and many more too numerous to mention] confirm that maintaining an artificial foreign exchange rate is a fool's errand and eventually carries the risk that the breakdown spirals out of control and can become seriously disorderly. The official naira rate is just below 200 to the dollar but no one is holding any store by that price and that's why absolutely no one is putting any more money in Nigeria because they all know when the haircut is finally imposed it's going to be a big one. I find it just extraordinary that such a brilliant president would risk it all on a bet on a single number in a game of roulette. Those are the odds. South Africa which is the second biggest economy in SSA will also contract or be at zero per cent GDP this year. Here again, the David Van Rooyen interlude at the Finance ministry was a step too far. A 10 per cent fall in a currency in a single hour [the rand flash crash] confirms the complete loss of any credibility that President Zuma might have had. Barclays PLC is desperately seeking the Africa exit button and the reasons are around SA volatility. The third biggest economy in SSA is Angola. Here we are in uncharted and possibly revolutionary territory. The currency whose official rate is about 155 to the dollar is trading at 400 on the black market. When it comes to SSA, the markets are the message.

The venerable Financial Times headlined an article last week "Kenya a rare bright spot in EM gloom". "Looking for a winner from the oil price slump? Kenya could well be a prime candidate, in the emerging world at least"

I have already mentioned the trend change in the perennial current account deficit. "Between 2011 and 2015, Kenya's annual fossil fuel import bill was running at about Sh350bn ($3.4bn at the current exchange rate). With oil at $30 a barrel, this could drop to Sh115bn in 2016, according to calculations by Robertson, based on central bank figures.

This is equivalent to a decline from seven per cent of gross domestic product in 2013 to 4.1 per cent in 2015 and potentially as little as 1.6 per cent in 2015.

The Financial Times also noted that exports rose 24 per cent year on year in shilling terms, largely thanks, apparently, to a 58 per cent jump in the value of tea exports as prices rose, says Mr Ashbourne. And this is another lucky break. Kenya has seen its rainfall increase as a by-product of the El-Nino phenomenon. Interestingly, The soft commodities complex has held its value and has not been a part of the extraordinary and non-linear price collapse witnessed in oil and other industrial commodities. In my experience, when Kenya's farm economy performs, it has a big pull effect on the whole economy.

The stock market turned higher last week and what's clear is that Kenyan asset prices have upside.

Readers are advised that this column represents Satchu's personal opinion.