



# DEVELOPMENT OF POST RETIREMENT MEDICAL FUND IN KENYA

# INTRODUCTION

Access to quality healthcare remains a significant challenge in retirement. As individuals age, their susceptibility to chronic illnesses increases, raising the demand for consistent medical care. This need is compounded by the high cost of medical insurance premium for older adults. To help address this issue, the Retirement Benefits Authority (RBA) introduced the Post-Retirement Medical Fund (PRMF)

## Post - Retirement Medical Fund

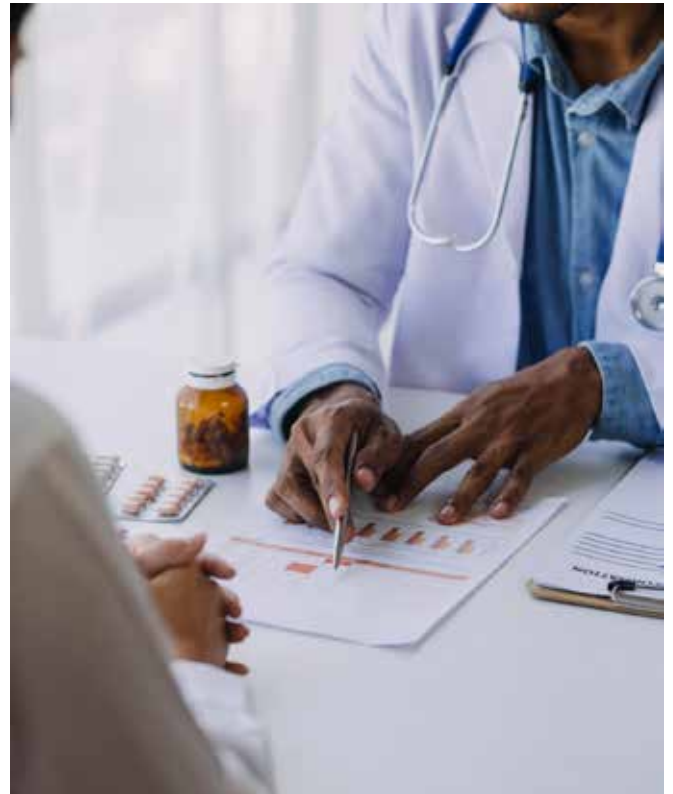
This scheme, offered under defined contribution, defined benefit and hybrid fund arrangements, is designed to enable actively employed members to accumulate savings specifically for covering healthcare expenses during retirement.



Health was selected as the top priority by 32% of retirees, an even higher percentage than those who cited putting food on the table as their most important concern (21%), according to the RBA 2024 Survey. This underscores the high regard that retirees hold for their health

## The objectives of PRMF include;

- Helping employees spread the cost of medical care so that it becomes manageable in their retirement age.
- Create a platform to facilitate the need of the retiring members access affordable medical coverage.
- Ensuring continuity of medical coverage for individuals who exit employment before reaching retirement age.



## Historical and Policy Evolution of PRMFs in Kenya.

The development of the Post-Retirement Medical Fund (PRMF) in Kenya reflects a gradual but significant shift toward improving healthcare access for retirees through structured savings mechanisms.

According to the 2024 Pensioner Survey by RBA, 71% of retirees had some form of medical cover, with 81% of those relying on the National Health Insurance Fund (NHIF) to meet their medical needs. However, 77% of those covered paid for the services out of pocket, while only 16% had their costs met through their pension schemes or a post-retirement medical fund—highlighting a major gap in financial protection for healthcare in old age.

To address this, the Retirement Benefits (Post-Retirement Medical Fund) guidelines were introduced through Legal Notice No. 192 of 2018. This regulatory milestone allowed pension schemes and employers to establish medical funds specifically for saving toward post-retirement healthcare expenses. The objective was to ease the financial burden associated with healthcare in retirement, which traditional pension payouts alone were often insufficient to cover.

Building on this foundation, April 2022 marked a further expansion of the PRMF framework. RBA permitted the creation of standalone and umbrella PRMFs thus broadening accessibility. Standalone PRMFs are independent of existing pension schemes, enabling individuals to contribute directly, while umbrella PRMFs support collective contributions by small employers and workers in the informal sector.

The evolution continued with Treasury-led reforms in September 2024, when Treasury Circular No. 9/2024 was issued. This directive urged public institutions and pension schemes to establish PRMFs and authorized government-linked agencies to contribute on behalf of their employees. This policy shift led to a sharp increase in contributions, particularly from state entities.



Concurrently, a series of tax reforms introduced through the 2024 Finance Legislation significantly boosted the attractiveness and sustainability of PRMFs:

- Contributions of up to Ksh 15,000 per month were made tax-exempt.
- The Finance Bill proposed additional personal tax deductions of Ksh 1,000 per month for individual contributors.
- Importantly, investment income earned within PRMFs was also exempted from income tax, enhancing fund growth and long-term viability.

Collectively, these regulatory and fiscal developments reflect a growing institutional commitment to safeguarding the healthcare of Kenya's retirees. The strengthening of the PRMF ecosystem represents a critical pillar in the country's broader push toward universal health coverage (UHC) and a more inclusive, dignified retirement system.

## Historical and Policy Evolution of PRMFs in Kenya.

### Low public awareness and understanding

many pension schemes members are unaware of the existence or purpose of PRMFs. They may not understand how the fund works, how contributions are made, or how benefits are accessed in retirement. The government and retirement benefit schemes have not invested sufficiently in public education campaigns to popularize PRMFs, especially in rural and informal sectors.

### Voluntary nature and low prioritization

unlike pension contributions, participation in PRMF is currently voluntary. This makes it easy for individuals to postpone or entirely avoid contributing especially when faced with other pressing financial needs. Many working individuals do not see post-retirement medical expenses as an immediate concern and therefore de-prioritize PRMF contributions.

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### Regulatory and operational gaps

Fragmented framework where the Retirement Benefit Authority has issued guidelines although some areas remain unclear such as how to integrate PRMFs with health insurers, tax treatment of payouts or portability between jobs or schemes. Another thing is there is no standardization of PRMF offerings across retirement schemes, leading to disparities in access, benefits and administrative efficiency.



## Disconnect between the health insurers and the PRMFs

there is lack of coordination and integration between PRMFs and health insurance providers leading to inefficiencies and confusion for members.

## Recommendations.

1. Strengthen public awareness and financial literacy campaigns - launch of targeted campaigns especially in rural and informal sectors to educate workers on value of PRMFs, how they work and how to enroll. Simplified fund communication like use of visual tools, mobile apps and multilingual materials to make fund structures and benefits easily understandable.
2. Transition from voluntary to semi-mandatory structure. This involves mandate minimum PRMF contributions through payroll deductions for formal sector workers, with opt-out provisions for flexibility. This can also be achieved through offering tax incentives for PRMF contributions to encourage participation among informal and gig economy workers.
3. Develop a clear and unified regulatory framework which is achieved under bodies like the Retirement Benefit Authority or equivalent. The bodies should clarify tax rules by defining how contributions and payouts are treated under income tax and standardize across all schemes.
4. Creating integrated benefit package in partnership with licensed medical insurers to cover chronic care, prescriptions and outpatient services. Also, by creating a hybrid model that encourage employers to offer combined PRMF health insurance plans for retirees.

## CONCLUSION

The establishment and evolution of the Post-Retirement Medical Fund (PRMF) in Kenya represent a progressive step toward securing the healthcare needs of retirees. As healthcare becomes increasingly expensive and critical with age, PRMFs offer a structured, forward-looking solution that empowers individuals to plan for medical expenses long before retirement.

Kenya has made notable strides in developing the PRMF framework, from the issuance of the 2018 RBA guidelines to the 2022 introduction of standalone funds, and more recently, the policy and tax reforms of 2024.

The introduction of tax incentives and regulatory support has also laid a strong foundation for PRMF uptake and sustainability. However, challenges such as low public awareness, the voluntary nature of participation, fragmented regulation and poor integration with health insurers continue to hinder the full realization of the fund's potential.

Without urgent reforms, the fund risks remaining underutilized, leaving many retirees exposed to high out-of-pocket health expenses. To address these issues, a coordinated approach is essential, one that enhances public education, mandates minimum contributions, fosters synergy between PRMFs and health insurers and ensures regulatory consistency.

With continued commitment and innovation, PRMFs can significantly enhance the quality of life for Kenyan retirees, providing them with not just financial relief, but dignity, health security, and peace of mind in their later years.



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