

**RETIREMENT BENEFITS
(INCOME DRAWDOWN FUNDS)
REGULATIONS, 2023**

RBA'S MANDATE

REGULATE & SUPERVISE

Establishment and Management of retirement benefits schemes

PROTECT

Interests of scheme members and sponsors

DEVELOP & PROMOTE

The Retirement benefits industry

ADVISE

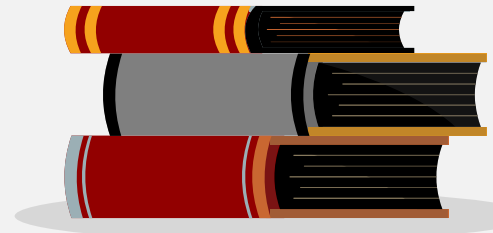
The Cabinet Secretary to The National Treasury on national policy relating to the industry

IMPLEMENT

All government policy relating to the industry

S55 – Retirement Benefits Act

The Minister may, in consultation with RBA, make regulations generally for the better carrying out of the provisions of the Retirement Benefits Act.



Regulations may prescribe anything required to be prescribed under the Act

THE JOURNEY.....

Practice Note RBA No. 001

Effective 2010

Prudential Guidelines Number 002

Effective 12th August 2012

Effective 31st October 2023

Income Drawdown Funds Regulations
Gazetted on 31st November 2023

DEFINITIONS – KEY TERMS

“An income drawdown”

- is an arrangement that allows members of Retirement Benefits Schemes to access his/her accumulated retirement benefits as a regular income, through reinvesting his/her benefits from an Income Drawdown Fund registered by the Authority.

“Income drawdown fund”

- A fund registered for purposes of receiving accrued retirement benefits from members of retirement benefits schemes upon retirement, reinvestment and paying regular income



DEFINITIONS – KEY TERMS

“Dependent”

Includes a member’s spouse, son, daughter, grandson, granddaughter, adopted child, parent, grandparent, brother and sister living at time of the member’s death person, and such other person who is, in the option of the Trustees, **immediately before the members death substantially dependent upon the member for the provision of all the necessaries of life.**



REGISTRATION OF INCOME DRAWDOWN FUNDS

- All IDDs **MUST** be **registered by RBA**
- Must be established **under irrevocable trust**
- Application to be determined **within 90 days**
 - If accepted a certificate of registration will be issued
 - If not accepted- reasons will be stated in writing
- Must have a registered office in Kenya



REQUIREMENTS FOR REGISTRATION-REG.5

- Application form
- Resolution of the founder
- Trust Deed and Rules
- Administrators' agreement
- Custody agreement
- Manager agreement
- Deposit administration policy (where applicable)
- Investment Policy Statement
- Corporate Trustee Agreement
- Actuarial certificate where auxiliary benefits are provided

WHO CAN BE A FOUNDER OF AN IDD? REG 6 (2)

A company

A co-operative
society

A society

Founder of an
occupational Scheme
of same membership

Any other legal entity
–as approved by RBA



CONSTITUTION OF A FOUNDER....REG 6

- A Founder of IDD shall at all times in the **Board of Directors and Top Management**;
 - At least 4 persons- with academic and professional qualifications in various fields;
 - At least 1 (one) person –five years experience in administration of schemes
- NB: **Not applicable to** Founders of occupational schemes drawing same membership.
- RBA may determine the suitability of Founder

TRUSTEESHIP OF AN IDDREG.11

- The Trustee **must be** a trust corporation /corporate trustee
 - The Trust corporation **shall not** related to the founder by way of ownership or directorship.
- Where Founders of an occupational scheme is **same as IDD** -Trustees of the scheme **may act as** Trustees of the IDD.
 - Different individual Trustees can be appointed.
- A Trustee or director of TC or their firm **shall not offer any professional services OR conduct business** with the IDD.

WHO IS ELLIGIBLE TO JOIN AN IDD? REG..15

A member from a scheme who has attained at least the specified early retirement age or 50 years and above

MEMBERS

Membership

Member transferring from another Income Drawdown Fund

Beneficiaries entitled to a benefit from a scheme or IDD

MEMBER RIGHTS....

- When joining the IDD, disclosure on;
 - Terms of access
 - Simplified benefit illustration projection for at least 3 scenarios
 - Circumstances under which membership may cease:
 - Risks of the fund: investment, longevity, expense, inflation
 - Taxation of benefits
 - Fees & Charges applicable
 - Payment of benefits to nominated beneficiaries in case of death
 - Timing & frequency of payments
 - Dispute resolution mechanism
 - Summary of the fund rules

MEMBER RIGHTS....

- Annual Members statements which **MUST** disclose:-
 - Opening balance, Investment income, Withdrawals, Expense, Closing balance, Net rate of return credited to member's account
- Summary of the financial statements of the fund and the performance report
- Information on options available upon expiry of the minimum drawdown period
- Freedom to choose frequency of withdrawals and amounts payable not exceeding the prescribed limits.
- Right to transfer to another IDD after five years of membership

MEMBER RIGHTS....

- If the beneficiary is a minor, right to **transfer to another IDD upon attaining 18years.**
- To be paid **total benefits on grounds of ill-health and emigration** subject to approval of Trustees.
- To be notified in **writing in case of an intention to wind up** and the details on the winding up process.

MEMBER OBLIGATIONS

- **To sign a declaration form** – confirming the fund provided the disclosures when joining the IDD.
- **To sign a member consent form-** acknowledging that he/she understands the product design, benefits and the associated risks.
- **Attending AGMs**

HOW CAN MEMBERSHIP IN AN IDD CEASE....

- Transfer of benefits to another IDD
- Purchase of an annuity
- Access of balance on trivial grounds after the first 10 years

WHAT CONSTITUTES AN IDD FUND.....

- Funds from Registered Retirement Benefit Schemes
- Transfers from another IDD
- Any income or investment earnings

NB: Funds from other sources of income are not acceptable

TERMS OF AN IDD.....

Minimum drawdown period

- 10 years from commencement of the drawdown

Transfer

- Member may transfer benefits to another IDD after 5 years of membership

Maximum withdrawal

- 12% of members outstanding balance determined at the beginning of the financial year

Frequency

- Monthly, Three months, Six months or Annual

TERMS OF AN IDD.....

After minimum drawdown period

- Continue with the IDD arrangement (with same or different provider-can transfer every five years or purchase annuity)
- Purchase an annuity
- Access the balance as a lumpsum

Beneficiaries in IDD-below 18years of age

- Not subject to the minimum conditions-TDR to provide for rules on upkeep and maintenance



PORTABILITY OF BENEFITS

- Transfer shall be allowed after a membership of 5 years **with at least three months notice**
- Transfer shall be effected **within 30 days** upon expiry of notice period transfer.
- Transfer shall be done **as a lumpsum, no partial transfers**
- **No penalty or charges shall be applied to a members benefits on transfer**
- Funds shall continue to **accrue interest** until transfer is complete
- **Procedures for transfer** shall be provided in the IDD fund rules

PAYMENT OF BENEFITS ON DEATH....

- On death beneficiaries may opt to :
 - Continue with the IDD arrangement
 - Purchase an annuity
 - Access the benefits as a lumpsum
- Trustees **may exercise discretion** in determining the amount payable to dependants of the deceased



REPORTING BY IDD'S.....

- Quarterly reporting- by 15th day after of end of third month
 - On payments made out of the fund to members
 - Transfers out of the IDD fund to other IDD funds
- Submit audited annual accounts to RBA –signed by the Chairperson or authorized trustees.
- Provide summary of the audited accounts and benefit statements to members within six months after end of financial year.
- Custodians and approved issuers –report on assets of an IDD and the funds received in quarter



INVESTING BY IDD'S

- An IDD fund shall prepare an IPS every 3 years
- An IDD fund shall invest only in an asset referred to in Table G of the investment guidelines
- IDD shall not invest directly in immovable property
- There shall be no restrictions on power to invest by reference to the consent of the Founder
- IDD funds shall not hold a reserve fund.

LIQUIDATION

- Voluntary liquidation **must be approved by RBA** before it is effected.
- Notice must be issued to each member of intention to wind up and details of the winding up process
- **Appoint a liquidator** to wind up the scheme.
- Completion of the liquidation **signified by final accounts, funds transferred, RBA deregistration of the fund.**
- **RBA can initiate statutory winding up** through the courts on certain grounds.

BULK TRANSFERS

- No liquidator is required to be appointed but the IDD shall submit:
 - Resolution by the founder
 - Resolution by the trustees
 - Current audited accounts or fund statement of the fund
 - Signed member consent forms acknowledging the amount to be transferred
 - Proof of transfer to the other fund
 - Proof of receipt by the other fund
 - Nil accounts
 - The original certificate and any other information required by RBA
- RBA to issue approval for IDD to transfer of the funds **within thirty days** after receipt of all the documents

LEVY PAYMENTS.....



- IDD funds shall not pay Levy.....

TRANSITIONING....

- Existing IDDs- compliance within 12 months after commencement date –By 31st October 2024
- Special Funds (within a scheme) – to comply within three years after commencement date- by 31st October 2026.
- Existing contracts of members in an IDD fund- continue until expiry of the contract and shall be allowed to transfer after five years from the commencement date of these Regulations or expiry of their contract(whichever earlier)

Danke

Thank
you

Merçi

Gracias

Obrigado



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