



MEMBERS' EDUCATION DAY

INDEPENDENT ELECTORAL BOUNDARIES COMMISSION STAFF PENSION SCHEME

PRESENTATION BY:

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KENYAN RETIREMENT BENEFITS INDUSTRY



RBA - ROLE & OBJECTIVES

REGULATE

Establishment
and
Management
of retirement
benefits
schemes

PROTECT

Interests
of
scheme
members
and
sponsors

DEVELOP

Retirement
benefits
industry

ADVISE

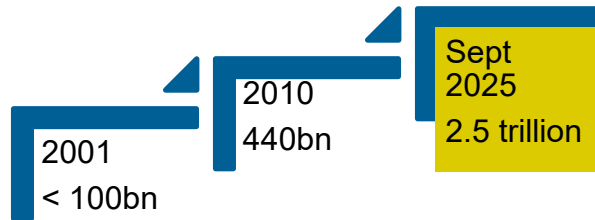
Cabinet
Secretary,
Treasury on
national
policy
relating to
the industry

IMPLEMENT

All
government
policy
relating to
the industry

Status of Pensions Sector – Dec. 2019

Assets: KSHS



**Members:
3.2 Million**



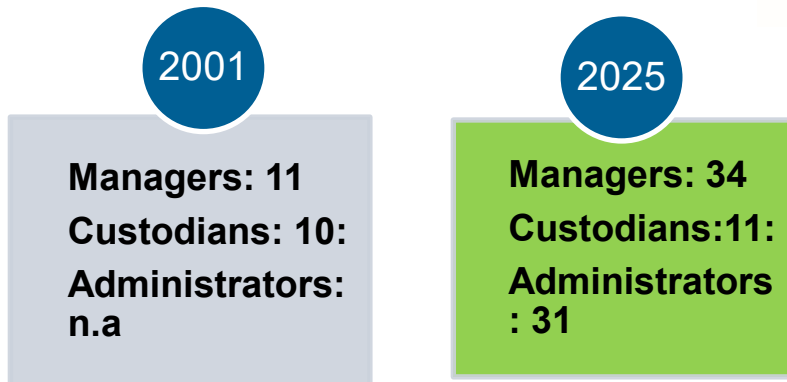
Schemes:



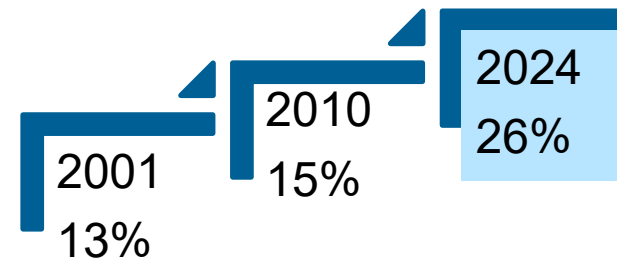
Trustees:

Over 6000 Trustees

Registered Service Providers



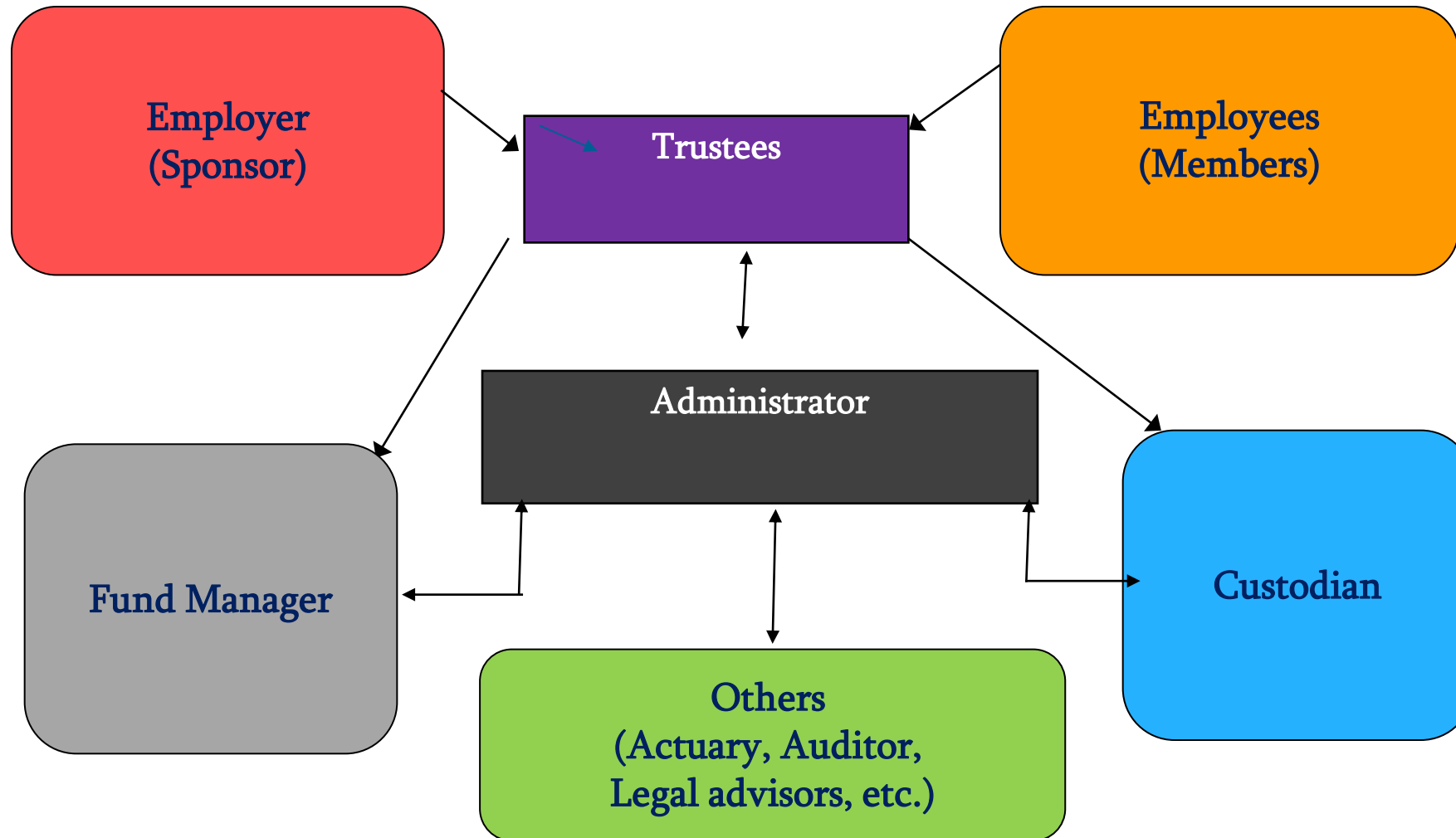
Coverage: % Labour Force





STRUCTURE OF SCHEME

RBS OPERATIONAL FRAMEWORK



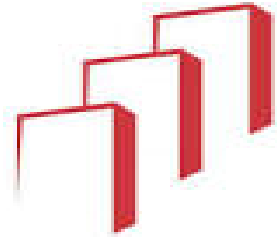
STRUCTURE: BY PAYMENT OPTION

Pension

- ❖ Member receives a **lump sum** (max 1/3rd or 1/4)
- ❖ Plus a **monthly amount** - pension, annuity or income draw down
- ❖ **Any AVC - 100%** can be paid as lump sum; or combine
- ❖ Lumpsum if **trivial** pension (KShs.9,200 - 50% of min wage)

Provident

- ❖ Member receives a **one-off lump sum** upon reaching retirement age
- ❖ **Any AVC - 100%** combined or separate
- ❖ **Investment Risk** on Lumpsum
- ❖ However, **may opt** to purchase an **annuity** or utilise an **income draw down fund**



MEMBER RIGHTS AND RESPONSIBILITIES



RIGHTS TO BENEFITS

- ◆ Resignation;
- ◆ Dismissal;
- ◆ Retrenchment or redundancy;
- ◆ Retirement - Early, Normal or Late Retirement;
- ◆ Death – benefits payable to dependants;
- ◆ Ill health;
- ◆ Emigration.

Option 1

Leaving your full benefits in the scheme!

Option 2

Transferring

- i) Your full accrued benefits to another scheme
- ii) The remainder of your benefits to another scheme

Option 3

Partial Payment

- i) DC Scheme: Total Max **75%**
 - 100% Own contributions + 50% employer + interest
- ii) DB Scheme: 50% of accrued benefits as shall be determined by an actuary;

Reminder

Deferred Benefits paid on attaining retirement age;



OTHER RIGHTS I

- ❖ ELECTION 50% (DC)/33% (DB) of Trustees
- ❖ ADMISSION: no discrimination
- ❖ CONTRIBUTE to the scheme fund; AVC optional
- ❖ NOMINATE your beneficiaries; Update records
- ❖ NO ASSIGNMENT or attachment of benefits
 - But, 60% Collateral for Mortgage - no money paid
- ❖ IMMEDIATE VESTING of employer's portion

OTHER RIGHTS II

- ❖ APPROVE TRUSTEE REMUNERATION
– Every 3yrs
- ❖ INFORMATION;- Trust Deed and Rules, Member statements, Financial & Investment statements, AGM, education forums, (question anomalies)
- ❖ WHISTLE BLOWING: disclose any unusual and abnormal occurrences in your scheme to www.rba.go.ke
- ❖ COMPLAINT: file a complaint about your pension benefit or other rights to www.rba.go.ke



DC PENSION PAYMENT OPTIONS

Annuity

OR

Income Drawdown

ANNUITY

- **PAY INSURANCE COMPANY** - Purchase price/money;
- **YOU RECEIVE** - Regular income e.g. Monthly, Qtly, Yearly ; **May opt to guarantee (advisable)**
- Some Options:
 - » Self only
 - » **Self & Spouse**
 - » **Guaranteed – 5, 10 Years**
 - » Term or for Life



INCOME DRAWDOWN

- ❖ **Investment fund** for retirement benefits payments;
- ❖ **Within Scheme or independent**
- ❖ Member select specific **amount or percentage**
- ❖ Minimum drawdown period = **10 years**
- ❖ **On death of member** – income/Cash to dependents
- ❖ Members bear **investment & longevity risks** in full

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

TERMS OF IDD

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

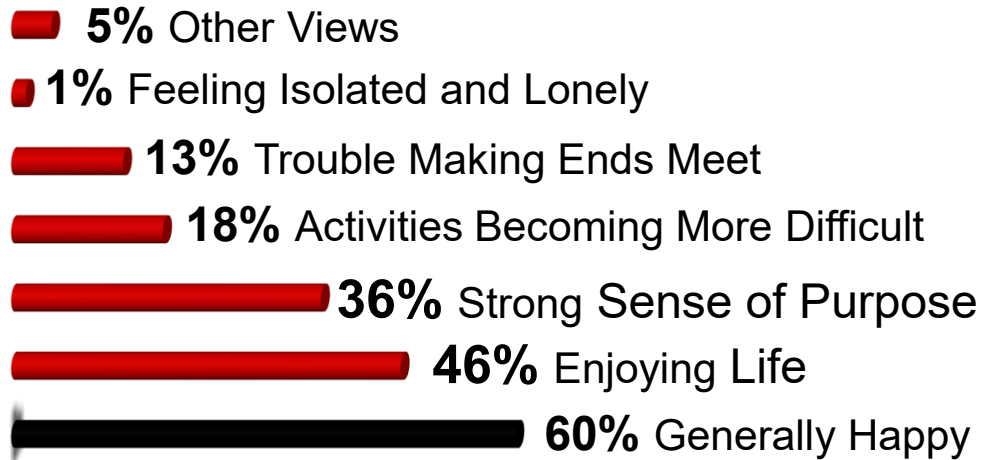
- Not subject to the minimum conditions- TDR to provide for rules on upkeep and maintenance



POST RETIREMENT MEDICAL FUND

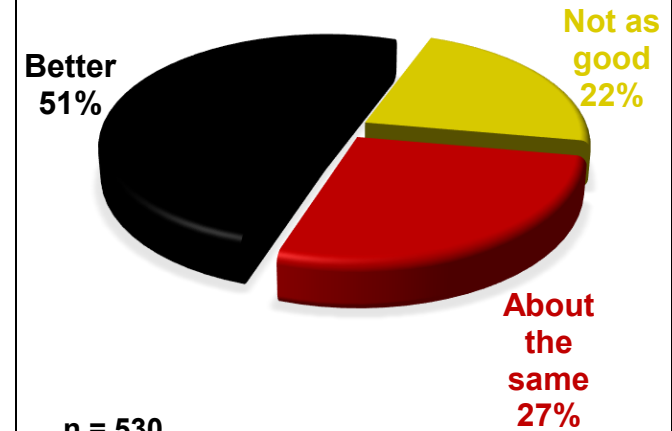
Wellbeing in Retirement

Views of Retirement



n = 530

Retirement/ Work-life Comparison



n = 530

Most Important Thing For Retirees



POST RETIREMENT MEDICAL FUND (PRMF) -I

1. Members may utilize a **maximum of 10% of benefits**;

Or,

2. **Set up** in the scheme for medical benefits on retm.

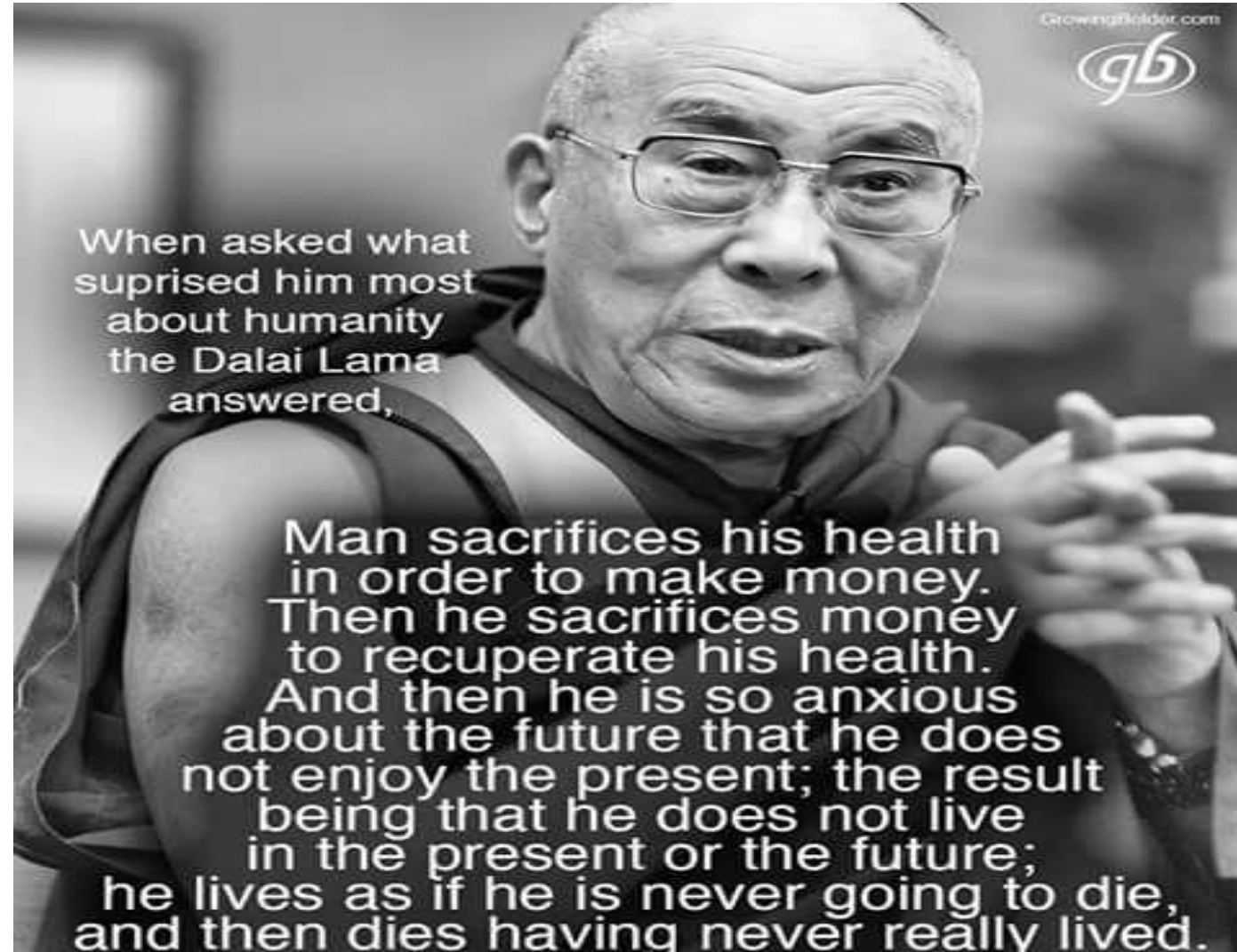
- Members make **additional contributions** for PRMF
- **Employer may** match/contribute

POST RETIREMENT MEDICAL FUND (PRMF) - II

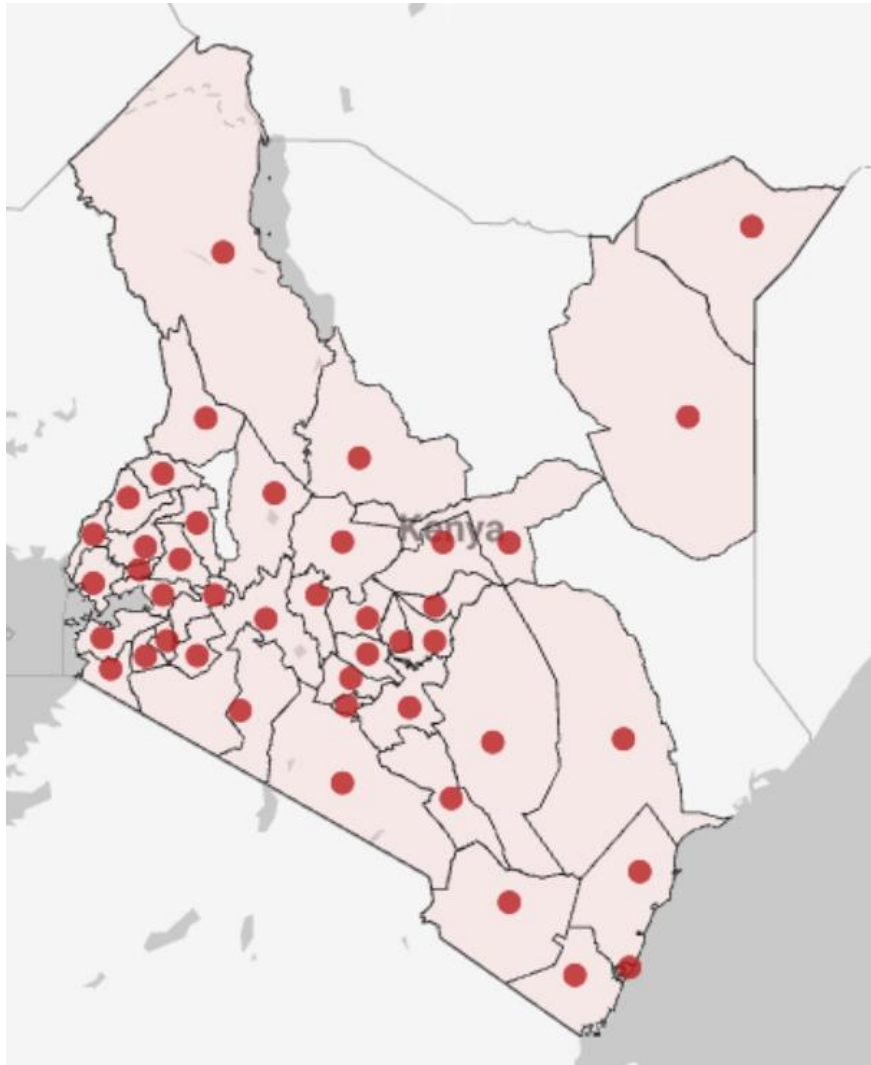
- ❖ Medical funds are exempt from RB levy
- ❖ Tax exemption per 15,000 tax deductible;
- ❖ Access on retirement:
 - ✓ Insurance Company e.g. UAP/Old Mutual, Britam
 - ✓ Med Provider e.g. AAR, Resolution
 - ✓ Scheme PRMF
- ❖ New – Standalone PRMF (*like IPP*)



...

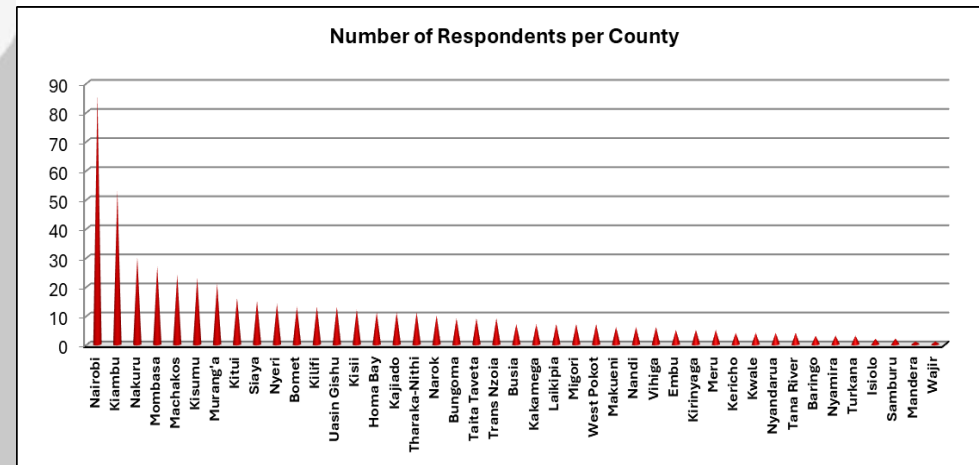


PENSIONER SURVEY- Demographic Information

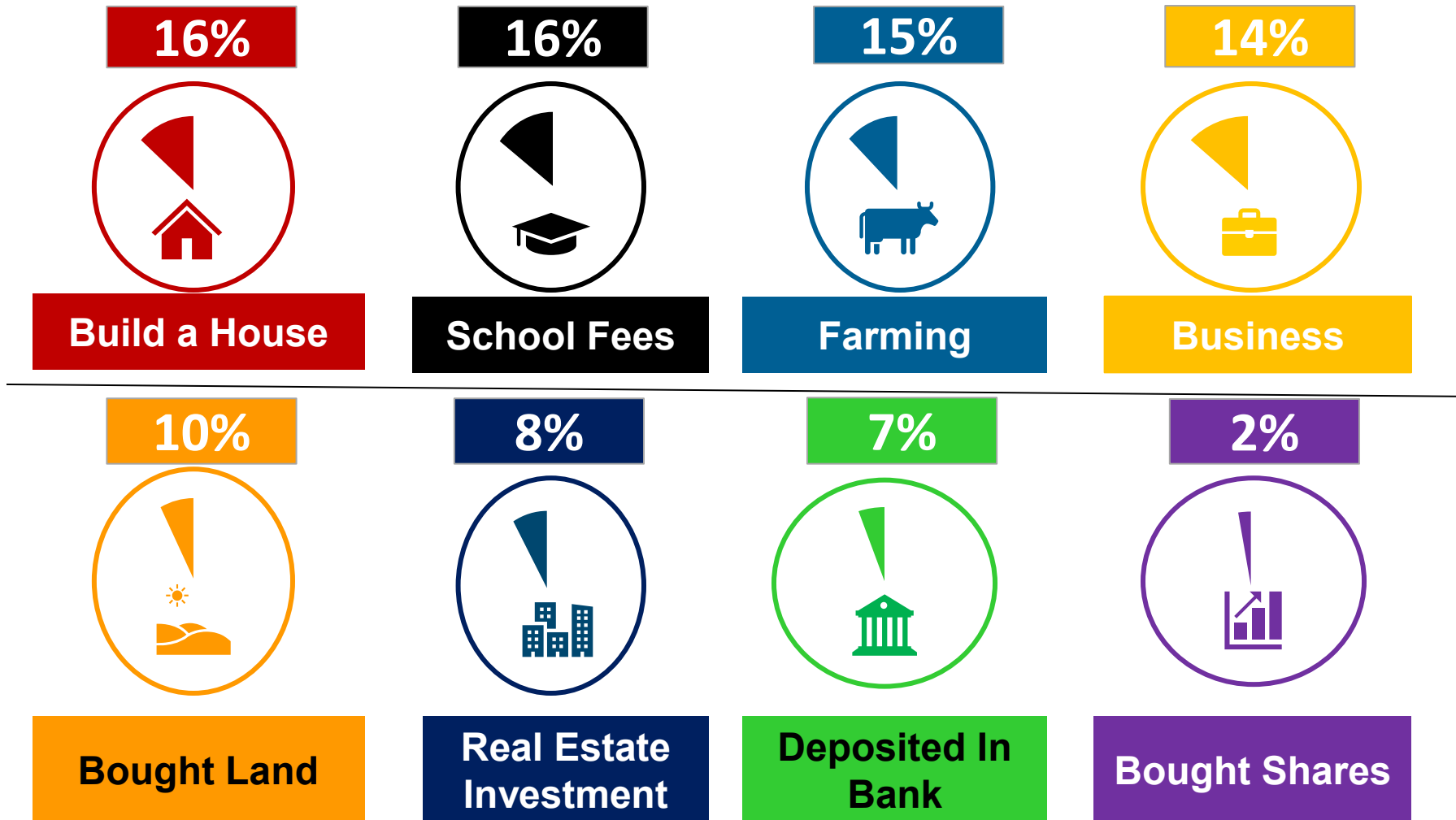











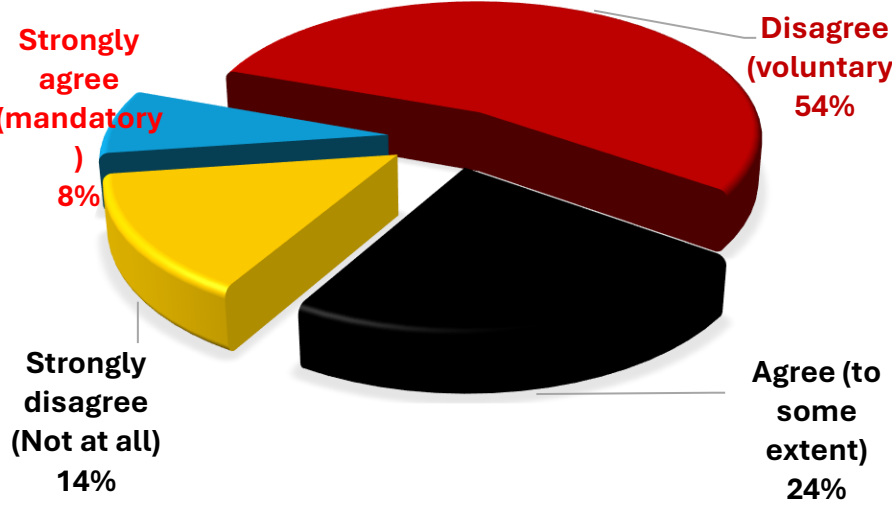
Response Rate

- Sample size (n) - 818
- Response - 530 (64.8%)
- 43 out 47 counties covered



Retirement Benefits Utilization



Most Missed Work Aspect	Children Financial Assistance
<ul style="list-style-type: none">  2% Office Teas and Meals  3% Office Meetings  5% Position or Title  10% Work Routine  18% Financial Privileges e.g. Loans  18% Medical Cover  18% Other Aspects of Work  40% Salary and Benefits  53% Company of Colleagues <p style="text-align: right;">n = 530</p>	 <p>54% of respondents think that children's financial assistance should be voluntary</p>

Income Replacement Rate

Formulae

$$\frac{\text{Retirement Income}}{\text{Pre-retirement income}} * 100$$

61,060



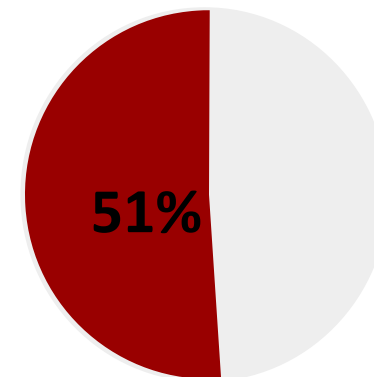
Pre-Retirement
Income

31,478



Retirement Income

51% On average, respondents are earning about half of the income they were earning during their working years





Top 3 Advise Given to Future Retirees

Home and Family Preparation

- Don't wait until retirement to start building a home
- Make sure to develop a home for your family
- They should build their dwelling places early. They should not use their retirement benefits to build their houses.

Financial Planning and Savings

- Manage the small amount you're earning and make additional contributions to your pension
- Assess their expenditure and lifestyle before retiring
- Ensure they have cash flow by the time they retire (Minimize spending on loan repayment)"

Investing and Income Generation

- Be business-oriented; employment is not permanent
- Invest in your children's education and encourage them to become financially independent
- They should not be afraid of starting a business

Recommendations



Benefit Preservation

The RBA should develop strategies to discourage early benefit withdrawals before retirement age

1



Informal Sector

The RBA should promote the development of products targeting the informal sector

2



Dependency Burden

Retirees should be more informed about the expected dependency burden to encourage greater retirement savings.

3



pension savings

Introduce mandatory retirement training early in employees' careers to encourage better savings habits.

4

Further Recommendation



Early Retirement Training

Introduce mandatory retirement training early in employees' careers to encourage better savings habits

5



Medical Fund Contributions

Make post-retirement medical fund contributions mandatory for all employees in a scheme.

6



Inflation-Adjusted Pensions

Introduce policies for scheduled pension payment increases to account for inflation.

7



Tax Relief

Develop policies on tax exemptions or reductions for retirees to boost disposable income.

8

Additional Voluntary Contributions (AVCs):



Current Challenges with AVCs

- Low awareness among members
- Perceived complexity of pension products
- Lack of tailored communication
- Limited digital engagement channels
- Low income

Employer & Trustee Role

- Encouraging AVCs through workplace campaigns
- Payroll integration for easy deductions
- Trustee oversight to ensure transparency & fairness

WHY DO AVC

- ❖ **Tax-efficient**-AVCs qualify for tax relief like other pension contributions do
- ❖ **Help boost your retirement income**
- ❖ **Portable**-you can transfer your AVC plan to your new employer if you move jobs
- ❖ **Flexible**-you can vary, stop and start



EMERGING ISSUES





EMERGING ISSUES



**NATIONAL
RETIREMENT
BENEFITS POLICY**

**TAX AMENDMENTS
2024/25**

**ESG
& CLIMATE
CHANGE &
SHARIAH
COMPLIANCE**

**SHARIA COMPLIANT
SCHEMES AND
INVESTMENTS**

**NSSF ACT & IDD
REGULATIONS**

**TRUSTEE
TENURE- 5 yrs**



TAX REBATES

- ❖ Employees' contribution is tax deductible subject to maximum of **KShs.30,000p.m.** or KShs.360,000 per annum
- ❖ Tax deductible for PRMF **KShs.15,000 p.m.**
- ❖ Investment income of registered schemes is **exempt** from corporation tax

Tax Exemption on Pension Benefits

Pension benefits from registered schemes are now **exempt from income tax** for individuals who meet any of the following criteria:

- **Reached the retirement age** as defined by their scheme.
- **Withdraw due to ill health** before reaching retirement age.
- **Withdraw after at least 20 years** of membership to a fund.
- Payment of retirement annuity

Key Impacts

- **Encourages Long-Term Savings**
Discourages premature withdrawals, reinforcing the importance of preserving pension funds for retirement.
- **Provides Financial Support for Health Challenges**
Acts as a safety net for individuals forced to retire early due to health reasons.
- **Ensures Financial Freedom for Retirees**
Exempting pension benefits from income tax helps retirees maximize their savings and enjoy greater financial independence.

Streamlined Registration of Retirement Funds

The Act now requires that individual retirement funds, pension funds, and provident funds register exclusively with the **Retirement Benefits Authority (RBA)**, removing the previous dual-registration requirement with the **Kenya Revenue Authority (KRA)**.

Key Advantage

- **Simplified Registration Process**

This reduces administrative complexity and streamlines oversight, making the process more efficient and less bureaucratic.

Gratuity amounts transferability

Employees **on fixed term contract** can voluntarily **join and contribute** to a retirement scheme. Also employers can remit accrued **gratuities**.



NOMINATION OF BENEFICIARIES

SUCCESSION

- ❖ Succession is the passing of property upon death
- ❖ This is the branch of law that deals with inheritance
- ❖ The Law of Succession Act is the key Act dealing with Succession in Kenya
- ❖ **Law of Succession Act** regulates succession in Kenya.
 - Upon death a person does not take with them property and therefore the property left behind has to pass to those who are living;
 - Human beings need to acquire some property for their own sustenance to satisfy their basic human needs. Inheritance is seen as one of several ways of acquiring property; and
 - Man instinctively desires to have control over his property even upon death.

Estate Planning

- **Estate planning** is what you do during your lifetime with an eye to facilitating smooth distribution and management of your property after death.

Estate Planning

Why Estate Plan?

- Failure to plan exposes your family, to a variety of challenges after you are gone. These include:
 - a) fights over distribution of the available assets,
 - b) lack of funds in the immediate period after the death for the day to day upkeep of the family while awaiting distribution of the estate,
 - c) uncertainties over what assets and liabilities make up the estate,
 - d) uncertainties concerning who the actual survivors or beneficiaries of the estate of the deceased are, among others.
- These challenges can be surmounted through estate planning.

MODES OF ESTATE PLANNING

- Nominations
- Writing a Will
- Trusts
- Co-ownership of Property
- Gifts in Contemplation of Death

NOMINATION

- ❖ A Nomination is a direction by a person called a nominator to another person who is holding investments on their behalf, to pay the funds or the investment on the nominator's death to a 3rd Party the Nominee nominated by the nominator during the nominator's lifetime.

- ❖ A nomination may be revoked by the following methods:
 1. By a later nomination i.e. a subsequent nomination revokes the first;
 2. By the subsequent marriage of the nominator this is to give the nominator the opportunity to provide for the spouse in the subsequent marriage.
 3. By the death of the nominee prior to the death of the nominator i.e. where the nominee predeceases the nominator

NOMINATION- RETIREMENT BENEFITS

- ❖ The payment of death benefits from a Retirement Benefit Scheme is regulated by section 36A of the Retirement Benefits Act of 1997. Further provisions are made in the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations of 2000 under section 23
- ❖ **it does not comply with the formalities of the Law of Succession Act. The property the subject of a nomination does not form part of the nominator's estate, and it cannot therefore pass under a will.**
- ❖ The Scheme Rules shall provide that upon the death of a Member the benefits payable from the Scheme shall be paid to the nominated beneficiary and if the deceased Member had not named a beneficiary, then the **Trustees shall exercise their discretion in the distribution of the benefits to the dependants of the deceased Member:**
- ❖ Provided that the Trustees may refuse to pay the nominated beneficiary and the reasons for such refusal shall be recorded.

ARE YOU READY FOR RETIREMENT?

- ❖ How much money will I require ?
- ❖ How long do I have until retirement?
- ❖ How will I access my retirement savings?
- ❖ How big is my fund (resources) now?
- ❖ How long will it last?
- ❖ How will I cater for my health?
- ❖ Nominate beneficiaries



THANK YOU



RBA contacts

www.rba.go.ke

Toll-free line: 0800720300

Email: (info@rba.go.ke and complaints@rba.go.ke)

Online complaints reporting (<http://portal.rba.go.ke/complaints/>)

Whistle blower portal (<http://portal.rba.go.ke/whistleblower/>)

Online submission of statutory returns for schemes and service providers



Facebook, Twitter, Instagram: - @RBAKenya & LinkedIn: Retirement Benefits Authority.