

PENSION ADMINISTRATION

THE RBA



- The **Retirement Benefits Authority (RBA)** formed on 20th November 1997 is Kenya's industry regulatory body under the National Treasury established to regulate the retirement benefits
- Its mandate is:
- Regulate and supervise the establishment and management of retirement benefits schemes;
- Protect the interests of members and sponsors of retirement benefits sector;
- Promote the development of the retirement benefits sector
- Advise the Cabinet Secretary, National Treasury on the national policy to be followed with regard to retirement benefits industry
- Implement all government policies relating to the industry

PRE-RBA



- Prior to enactment of the act, the retirement benefits schemes in Kenya were regulated by fragmented legislation, mostly Trust and Income Tax Laws. Without a specific body or regulations to set industry standards, pension schemes adopted different styles of operation.
- This period also known as dark pension ages saw a lot of mishandling and mismanagement of pension funds some even resulting to scams.

CURRENT PENSIONS SYSTEM IN KENYA



Scheme Type	National Social Security Fund	Public Service Pension Schemes	Occupational Schemes	Individual Schemes
Legal Structure	Act of Parliament	Act of Parliament	Established under Trust	Established under Trust
Membership	Employees in formal sector establishments with 5+ employees excluding public service employees	All public service employees, including civil servants, teachers and disciplined forces. Separate scheme for armed forces	Formal sector workers in companies that operate retirement schemes	Open to all on voluntary basis
Funding	Funded	Non-Funded	Funded	Funded
Regulation	RBA	Act of Parliament	RBA	RBA

PENSION JARGON



- **PENSION** - Scheme Arrangement where a retired member access only a 1/3 of their retirement benefits as cash and the remaining 2/3 the retiree buys an annuity or draw down. Scheme Arrangement where a retired member access only a 1/3 of their retirement benefits as cash and the remaining 2/3 the retiree buys an annuity or draw down.
- **PROVIDENT** - On attainment of the age of 50 years a member who exits employment can access the full retirement benefits. It is a fund into which money is paid during an employees' employment years and from which a lumpsum payment is made at retirement.
- **TDR** - Trust Deed Rules
- **IPS** - Investment Policy Statement
- **BOT** - Board of Trustees
- **TDPK** – Trust Development Program Kenya
- **WITHDRAWAL MODE** – These are grounds for exiting the service. e.g resignation
- **EET TAX REGIME** – Exempt-Exempt Tax (Any saving that is taxed at withdrawal stage)
- **DB** – Deferred Payment
- **DC** – Deferred contribution

SERVICE PROVIDERS



- **“actuary”** means a person who is a Fellow of the Institute of Actuaries in England, or the Faculty of Actuaries in Scotland, or the Canadian Institute of Actuaries, or the Society of Actuaries of the United States of America or the Institute of Actuaries of Japan or the Institute of Actuaries of Australia or a person holding such equivalent qualification as the Board may, by notice in the Gazette, prescribe;
- **“administrator”** means a person appointed by trustees to administer a scheme in accordance with such terms and conditions of service as may be specified in the instrument of appointment;
- **“custodian”** means a company whose business includes taking responsibility for the safe custody of the funds, securities, financial instruments and documents of title of the assets of scheme funds;

SERVICE PROVIDERS



- “**manager**” means a company whose business includes— (i) undertaking, pursuant to a contract or other arrangement, the management of the funds and other assets of a scheme fund for purposes of investment; (ii) providing consultancy services on the investment of scheme funds; or
- (iii) reporting or disseminating information concerning the assets available for investment of
- scheme funds;
- “**approved issuer**” means an insurer registered under the Insurance Act or any other issuer approved in writing under the Capital Markets Act or under any other written law;
- “**auditor**” means a member of the institute of Certified Public Accountants of Kenya

THE ADMINISTRATOR-ROLES



New Client

- Admin Manual preparation (information on rates and section of fund obtained from signed special rule/employer application form/ deed of adherence)
- The following forms required: Membership Application form, Nomination of Beneficiary form, Notification of Exit form, Monthly Contribution schedule & AVC Form.

New Member

- Membership Application Form
- Nomination of Beneficiary Form

Checks:

- Membership Application Form; Full names, Date of Birth, Date of Employment & member contact details
- Nomination of Beneficiary Form; signed by member, scan and save in relevant folder.

ROLES OF AN ADMINISTRATOR



Contributions:

- Facilitate opening of client bank account.
- Contributions remitted by 5th of the Month following Payroll Month.
- Contributions invested within 48 hours.
- Contribution reconciliation by 10th of the Month following Payroll Month.
- Follow-up on non remittance.

ROLES OF AN ADMINISTRATOR



Claims

Withdrawals: includes resignation, retrenchment, dismissal, termination, redundancy.

Options available;

- Retain my full Retirement Account in the Fund
- Access the Member Portion of my Retirement Account plus 50% of the Employer Portion of my Retirement Account and retain 50% of the Employer Portion in the Fund
- Access the Member Portion of my Retirement Account plus 50% of the Employer Portion of my Retirement Account and transfer 50% of the Employer Portion to another approved retirement benefits scheme
- Transfer my full Retirement Account to another approved retirement benefits scheme.

EMIGRATION:

- Leaving the country with no immediate intention to return back
- Documents required
 - a) Copy of Visa/grant of permanent residence
 - b) Copy of passport
 - c) Letter from employer confirming emigration
 - d) One way ticket
 - e) Foreigners copy of canceled work permit

RETIREMENT:

- Pension- may access 1/3 of benefit and use 2/3 to purchase annuity or utilize entire benefit to purchase annuity. For members with above KShs 3 Million advise on Income Draw Down
- Provident- Lump-sum payments may purchase annuity with portion. For members with above KShs 3 Million advise on Income Draw Down.

DEATH BENEFIT



Documents Required:

- Copy of death certificate
- Copy of deceased ID/ surrender of ID form
- Copy of ID and birth certificates of the beneficiaries
- Copy of marriage certificate if any
- Introduction letter from area chief-introducing family members
- Letter of administration if any
- Original death certificate in case of death in service (and client has GLA)
- Nomination of beneficiary form
- Death Claim

REPORTS



- Administration Report: should be done by end of the Month following the quarter end.
Checks: Membership (Active, Dormant & Deferred), contributions, Age Analysis, Claims.
- QRC- Quarterly Return on Contributions (R2)
- Quarter end Audit Requirements- Contributions, Membership & Claims must tie with Fund accountant
- Year Ends Audit Requirements- Reconciliation with Fund accountant by end of the Month following the

PENSION GOVERNANCE



- RBA ACT
- IncomeTax Act
- Legal Notices and Guidelines by RBA