



**NSSF STAFF
PENSION
SCHEME**
Own Your Tomorrow

NSSF STAFF PENSION SCHEME

MEMBER'S INFORMATION HANDBOOK

Forward

This is the second edition of this handbook. The first edition of the member's handbook was printed in June 2013. This edition seeks to incorporate strategic direction in the 2024 -2028 strategic plan.

The main purpose of the handbook is to summarize the key aspects of scheme benefits and to provide answers to questions that are frequently asked by members regarding the scheme. It is an attempt to explain the retirement benefits provided by your scheme in **short** and **simple** terms.

We would, however, like to point out that this handbook does not provide a comprehensive checklist of all provisions contained in your Trust Deed and Rules, the legal document by which the scheme is governed.

Scheme members are therefore encouraged to acquaint themselves fully with all the provisions of the Trust Deed and Rules which is available on request from the secretariat.

In case you have questions that are not dealt with in this handbook or where the provisions of the TDR are not clear, please contact the Secretariat.

Finally, it is important for members to understand that, whereas the scheme plays a pivotal role in shaping your financial future, it does not provide all the answers regarding retirement.

It is often said that planning for your retirement should start from the day you start working. This should consider the benefits provided by the scheme as well as other savings necessary to ensure that you continue to enjoy a comfortable lifestyle in retirement. The more you save/ invest; the better off you will be in retirement.

Dr. Kaberia Isaac Kubai
Chairman, Board of Trustees

The 2024 -2028 Strategic Plan Highlights

Vision

Fully engaged and happy members looking into the future with confidence.

Mission

To delight our members by delivering superior retirement benefits by exercising prudent and cost-efficient management, good governance, and communication, through innovation and application of modern technology.

Core Values:

- ✓ **Integrity**
'Doing the right things right.'
- ✓ **Professionalism**
'Actions that will be viewed as proper.'
- ✓ **Prudence**
'Mother of all virtues'
- ✓ **Customer Centricity**
'Service Beyond Measure'
- ✓ **Innovation**
'Necessity is the mother of innovation.'

Strategic Goals and Objectives/ Key areas of focus

To operationalize its Mission and achieve its Vision, the Scheme Trustees identified 5 areas of strategic focus. These are:

- ✓ **Governance:** *Improve Governance structures and policies by 2024.*
- ✓ **Technology:** *Upgrade to state-of-the-art digital technology by 2025.*
- ✓ **Member Communication:** *Innovate and implement a member-centric approach by 2028.*
- ✓ **Investment Performance:** *Improve investment returns of the scheme to deliver at least 3% above inflation each year by 2025.*
- ✓ **Post-Retirement Medical Fund:** *Improve the post-retirement medical fund benefits by 2027.*

Introduction

This booklet describes the benefits offered by the NSSF Staff Pension Scheme (“the Scheme”). It also explains what members need to do to access these benefits. For ease of reference, definitions of some of the technical terms/ words have been posted towards the last part of the booklet.

Some of the key areas covered are:

- Admission to membership. *(Para.2)*
- Contributions. *(Para.3)*
- Retirement age(s) and the benefits applicable. *(Para. 4)*
- How to purchase annuities at the point of retirement. *(Para. 4)*
- Benefits on leaving service before normal retirement age. *(Para 4.1 & 4.8)*
- Death-in-service benefits. *(Para. 4.5)*
- Death-after-retirement benefits. *(Para 4.6 & 4.7)*
- The Post Retirement Medical Fund. *(Para. 4.9)*
- Nomination of beneficiaries. *(Para. 5)*
- How to borrow against the scheme benefits. *(Para. 5)*
- Procedure for making complaints/ resolving disputes. *(Para. 5)*
- Definition of terms. *(Para. 6)*

Scheme Constitution

This booklet contains some highlights from the Trust Deed and Rules (TDR).

If there is any conflict between this booklet and the provisions in TDR, the latter shall prevail.

If you have any questions or require further clarification, please contact the Pensions Secretariat.

1. GENERAL INFORMATION

1.1 OBJECTIVE OF THE SCHEME

The main purpose of the Scheme is to provide retirement benefits for members on retirement and to his/her nominated beneficiaries in the case of death of the member.

2. MEMBERSHIP

How do I join the Scheme?

Once you are appointed on permanent and pensionable terms, you will need to complete an Application Form and Nomination of Beneficiary Form and submit it to the secretariat for processing.

What happens if I leave the scheme, transfer my benefits elsewhere and later rejoin the Scheme?

You will be treated as a new member when you rejoin. This does not, however, preclude you from transferring-in funds from another approved scheme.

What happens if I leave NSSF, retain my benefits in the scheme and later rejoin NSSF/Scheme?

You will be treated as a deferred member when you leave. When you rejoin the Scheme, you will be treated as an active member.

3. CONTRIBUTIONS

What do I have to contribute as an active member of the Scheme?

You will be required to contribute 8% of your **Pensionable Salary**. This will be deducted at source each month (i.e. before any P.A.Y.E. is deducted) and paid into your **Registered/Exempt member account** under the Scheme.

Your contributions more than the tax allowable limit per month (of Kshs. 20,000 or 30%, whichever is lower) will be allocated to the **Unregistered/Non-Exempt Account**

What will the NSSF contribute?

Currently, NSSF contributes an amount equal to 16% of your **Pensionable Salary** monthly. However, this may vary from time to time in accordance with the Trust Deed and Rules.

What happens if due to sickness or some other reason (acceptable under my conditions of employment) I am absent from work for a lengthy period?

If your **Pensionable Salary** is not reduced or suspended, contributions will continue to be paid during your absence.

If your **Pensionable Salary** is reduced or suspended for a part or whole of your absence, contributions will be reduced proportionately or suspended respectively.

Can I contribute when am on leave of absence?

Yes, you are required to contribute to the Scheme while you are on leave of absence in accordance with your Terms and Conditions of Service. You must notify the Pensions Secretariat Office when proceeding on leave of absence and obtain details on how you can contribute to this circumstance.

Can I pay more?

Yes, if you wish to do so, you can pay **Additional Voluntary Contributions** into your account on a monthly basis. You will need to inform the Trustees in writing of your wish to take up this option by completing an **Additional Voluntary Contribution** Form which is available at the Pensions Secretariat Office. Once you start to pay additional contributions, you will not be able to stop or reduce the payments until the start of the Scheme's next financial year.

The Board of Trustees encourages every member to pay **Additional Voluntary Contributions** as a way of saving money by taking advantage of higher interest paid in a larger pool of investments. Your **Additional Voluntary Contributions** together with interest credited over time will be paid in full upon retirement. Alternatively, they can be applied towards a post-retirement medical insurance policy.

Will NSSF increase its contribution on account of my AVC?

No, NSSF will not increase its contribution on account of your **Additional Voluntary Contributions**.

When are the contributions paid into the Scheme?

It is stipulated that your contributions, together with the Employer's contributions, are payable into your account under the Scheme by the 10th day of the following month.

Can I make contributions after leaving NSSF?

No, you can only make contributions if you are a full-time employee of NSSF unless you have taken a leave of absence or are on secondment.

What rate of interest will be paid on contributions paid to my account?

In general, the investment objective of the Scheme is to produce a long-term return that beats inflation to maximize growth in your account balance.

The Trustees on advice from the Actuary will decide on the interest rate to be credited to the member's **Accumulated Credit**. This will be based on the returns that the assets of the Scheme have achieved in the year as per the audited accounts.

The interest credited to your **Exempt Account** will not attract income tax while interest credited to your **Non-Exempt Account** will attract tax.

If you leave the Scheme during the financial year, the interest for the year of leaving will be based on the interim rate set by the Trustees in accordance with the scheme's income distribution and reserving policy.

4. BENEFITS

4.1 NORMAL RETIREMENT

What is my benefit at Normal Retirement Age?

Upon retiring from the service of NSSF at your **Normal Retirement Age (60 years)**, your benefits will be paid as follows:

- i). Up to a maximum of one-third of your total **Accumulated Credit** can be commuted to a lump sum cash payment. Part or the whole of this one-third portion can also be utilized as a top up to purchase a Post-Retirement Medical Insurance cover. The remaining two thirds must be applied to purchase a monthly pension from an approved annuity provider.
- ii). If you have any accumulated credit under **Additional Voluntary Contributions**, the same shall be paid as a lump sum paid in full.

At what rate do I convert my Accumulated Credit into a monthly Pension Annuity?

The amount of pension your Accumulated Credit can buy at retirement is closely linked to:-

- i.) **Age:** - A member's age at retirement affects the amount of pension they can buy because the younger a member is, the more expensive it is to buy a pension.
- ii.) **Interest rates:** - As future interest rates are uncertain; no guarantee can be given as to the size of pension a member will receive. Projections giving a member an idea of what to expect can be provided by the annuity provider.
- iii.) **Gender:** on average, women are expected to live longer and therefore their annuity can be slightly more expensive.
- iv.) **Type of benefits offered;** some annuities offer more benefits like spouses and children's pensions. These will cost more.
It is, however, important to mention that Trustees will always try to facilitate members to obtain competitive quotes from different annuity providers.

What is the process of purchasing an annuity and how do the Trustees assist members to ensure that the conversion rates applied are competitive?

It is important to explain that the responsibility for selecting an annuity provider lies with the member as indeed does the risk. To assist members in selecting annuity providers, The Trustees will invite annuity providers to make presentations to retiring members who will then select based on the benefits and conversion rate offered and the member's assessment of the risk.

Can I opt out of purchasing an annuity and access the balance of two thirds as a cash lump sum?

No except if the annuity amount falls within the limit categorized as **Trivial Pension**.

4.2 EARLY RETIREMENT

What is the earliest age for retiring?

Early retirement from **Pensionable Service** with the NSSF can be at any time once you have attained the age of 50 (fifty) years. However, this is subject to the NSSF's consent.

What benefit is payable if I retire early?

If you are retired by NSSF after attaining 50 (fifty) years of age, but before you have attained **Normal Retirement Age**, you will be able to access up to a maximum of one third of your Accumulated credit, but the balance shall be used to purchase an annuity as per your instructions.

4.3 ILL-HEALTH RETIREMENT

What happens if I am too ill to continue working?

If you become too ill to continue working, and you are not eligible to take early retirement, you may be able to retire early on ill-health grounds. You will, however, be required to obtain a letter from NSSF to the same effect. Your retirement benefits shall be paid in the same manner as if you had attained **Normal Retirement Age**.

What happens if I am a deferred member and want to access my preserved benefits on ill-health grounds?

You will be required to obtain a medical report from a certified medical practitioner to prove to the Trustees that you have a case for taking early retirement on ill-health grounds. The Trustees will determine, on the grounds of the evidence provided, whether you can retire early.

What if I become mentally incapacitated?

If you become mentally incapacitated to such an extent that it impinges on your ability to receive your benefits, the Trustees will exercise their discretionary powers in determining who should collect your benefits on your behalf.

4.4 RESIGNATION OR TERMINATION

What happens if I decide to resign, or my service is terminated by NSSF?

- i). Should you decide to resign from **Pensionable Service** of NSSF, or should your service be terminated by NSSF for whatever reason, you will be eligible to receive a lump sum cash benefit comprising of; 50% of your share of the **Accumulated Credit** as well as 50% of the employer's portion at the date of leaving. The balance must be retained in the scheme or transferred to another approved scheme. Please note that you also can opt to leave all the accumulated credit in the scheme or to transfer it to another approved scheme.

Will my deferred benefits continue to earn interest?

Yes, your deferred benefits remaining in your member account will continue to participate in interest distributions as declared by the Trustees of the Scheme.

What options do I have for my deferred benefits?

- i). You can opt to leave your deferred benefit with the Scheme until you attain early retirement age.
- ii). You can transfer your deferred benefit to another scheme registered by the **RBA** at any time.

Under what circumstances will I be able to receive all my Accumulated Credit?

You will be paid the full amount of your **Accumulated Credit** under the following circumstances:-

- i.) If you attain Normal Retirement Age
- ii.) If you immigrate out of Kenya to another country as a permanent resident. Evidence of immigration will be required.
- iii.) In the event of subsequent incapacitation due to ill health to the extent that it would occasion retirement on grounds of ill health if in employment.
- iv.) If you retire early on attaining fifty (50) years of age.

Will I receive information about my deferred benefits once I leave NSSF?

Yes, if you leave the Scheme with an entitlement to Defer Benefit you will continue to receive an annual Statement. This will be sent to your last known address. Therefore, you must formally communicate to the Trustees any change in your contacts or personal details.

4.5 DEATH IN SERVICE

What happens if I die whilst in Pensionable Service?

A lump sum cash benefit, equal to the **Accumulated Credit** in your account at the date of your death will become payable from the Scheme to your nominated beneficiaries, subject to the discretion of the Trustees plus a Group Life Assurance Benefit payable according to the Group Life Assurance Policy.

How will the death benefits be paid?

The Trustees have the discretionary power to pay or apply any benefit arising from the Scheme because of your death, to your nominated beneficiaries or in the event they consider the nomination to be contestable, to any other person they consider to be a rightful Beneficiary.

Should I nominate a Beneficiary to receive a benefit on my death?

Yes, you should nominate your dependent(s) as a beneficiary by completing a Nomination Form upon employment or at the earliest opportunity. Copies can be obtained from the Secretariat Office.

You should note that your Nomination Form only acts as a guide to the Trustees as to whom your rightful dependents are and Trustees will try to follow it as much as possible. Trustees, however, have the discretion to modify the wishes expressed in the nomination form where they feel an error of omission or commission has taken place in the nomination form.

Trustees will, however, act with due care, diligence, and good faith in exercising this discretion. This discretionary power is provided for in the Scheme's Trust Deed and Rules.

You are also free to review the nomination of any beneficiary at any time or vary the proportion of the benefits payable to beneficiaries. Such variation shall be affected by completing afresh the Nomination of Beneficiary Form and submitting it to the Pension Secretariat Office.

4.6 DEATH IN DEFERMENT

The benefits will be treated in a similar manner as death in service benefits as described in 4.5 above.

4.7 DEATH IN RETIREMENT

The benefits paid on death will depend entirely on the option chosen by the member.

With an Annuity, the benefits paid on death will depend entirely on the provisions of the Annuity purchased at retirement. These provisions often included options chosen by the member e.g., the option of a spouse's pension or a guarantee period.

4.8 TRANSFERS

What if I leave and join another organization which has a pension scheme?

If the other organization's pension scheme is registered by **RBA**, you may elect to transfer your entitlement to your new employer's pension scheme by completing the necessary documentation with the Secretariat Office.

Can I transfer money from another retirement benefits scheme to the NSSF Staff Pension Scheme?

Yes, if you were a member of any approved retirement benefits scheme operated by another employer or in a Personal Pension Plan before you joined NSSF, you may be able to transfer your accrued benefits into the Scheme.

Please contact the Secretariat if you would like further information about how to transfer these benefits.

4.9 POST RETIREMENT MEDICAL FUND

The Post Retirement Medical Fund (PRMF) is a fund where the employee can make voluntary contributions to meet the cost of medical benefits after retirement.

Currently both the employer and employee each contribute Kshs 2,000 every month towards PRMF. The Board of Trustees encourages every member to pay Additional Voluntary Contributions for medical benefits to ensure one gets a good insurance package at retirement since medical costs take a substantive part of one's income in retirement.

5. OTHER INFORMATION

How long will it take to have my benefits processed?

The period prescribed by the Law for payment of retirement benefits is 30 days. This is in accordance with Legal Notice No. 88 of 2010 (4a) effective June 11th, 2010. While the Trustees will endeavor to process your payment within this period, the time taken will be dependent largely on how quickly you submit the relevant documentation duly completed.

Will my commuted benefits be taxed?

Yes, but leniently. The current Income Tax Law provides for a tax-free Cash Lump Sum amounts commuted, amounting to Kshs. 60,000 per full year of **Pensionable Service** up to a maximum of Kshs. 600,000 (10 yrs.). For those who withdrawal their benefits before attaining 50yrs of age, the tax is more punitive. Persons who are 65 years and above are entirely exempted from taxation.

Can I assign my benefits to someone else?

No, you are not allowed to assign your benefits to someone else. This means you cannot give anyone else the right to your entitlement under the Scheme. This also includes using them as security for a loan other than assigning a portion of benefits for use as collateral for a housing loan as permitted under the Retirement Benefits Act and Regulations.

What if I do not claim my benefits upon exiting the Scheme?

If, for some reason you have not claimed your benefits from the Scheme and the Trustees have not been able to trace your whereabouts, your account shall continue to earn interest. However, by so doing, you risk having your benefits transferred to the Unclaimed Financial Assets Authority. It is your responsibility to furnish the Secretariat with your latest permanent contacts (postal/physical address and telephone).

How do I plan for retirement?

The Trustees are committed to helping you achieve a secure retirement in line with the Scheme motto **"into the future with confidence and dignity"**, but this can only be achieved with adequate planning on your part. To assist you with your planning, you are provided with an annual benefit statement which gives an update of how your benefits are building up. The Trustees also organize member education training seminars to equip members with useful information as they approach retirement.

Can I obtain any further information about the Scheme and the Retirement Benefits Sector?

Yes, the Trust Scheme documents prepared under statutory duty for disclosure and perusal by members include the Scheme's Trust Deed and Rules and Audited Accounts. These can be used within reasonable timescales upon request.

Please also note that you are expected to attend the Annual General Meetings convened by the Board of Trustees of the Scheme to update yourself with matters affecting your Scheme.

Information on the retirement benefits sector can be found at the **RBA** website www.rba.go.ke

What if I wish to make a complaint regarding my benefit entitlement?

Complaints should be made in writing to the Chairman of the Board of Trustees for consideration by the Trustees. The Trustees will investigate the facts of the dispute and make their decision, which will be binding. However, if you feel dissatisfied with the decision, you may contact the **RBA**.

The address of the **RBA** is given below.

Contacts

- i.) The Chief Executive Officer
Retirement Benefits Authority
P.O. Box 57733-00200 Nairobi
Email: info@rba.go.ke

6. DEFINITION OF TERMS

As you read this book you will come across some words/ terms, which have special meaning, and which may be explained. Words denoting the masculine gender include the feminine gender and vice versa. These words/ terms are defined/ explained below:

Accumulated Credit.

Means in relation to a particular Member at a particular date the balance in his account including both employer and employee contributions as well as cumulative income credited to that date.

Additional Voluntary Contributions (AVC)

Contributions that are over and above a member's normal contributions, which the member, elects to pay to the Scheme to secure additional benefits (including post-retirement medical insurance), on retirement.

Annuity

Annuity means a monthly pension payable to a member upon retirement or to his/her nominated beneficiary/ beneficiaries who become entitled to receive the payment upon his/her death.

Commutation

The foregoing of a part of the monthly pension payable on retirement for an immediate cash lump sum payment, usually not more than one-third.

Defined Contribution Scheme

This means that the amount paid in (the contributions) by both the employer and the employee are known e.g., 16% and 8% of Pensionable salary.

Exempt Account

This is the portion on a member's account balance which is tax exempt.

Member

A member means a permanent and pensionable employee of NSSF, accruing benefits under the Scheme in respect of the period in service and who is entitled to benefits under the Scheme Rules.

Member's Account

This is the account of each Member to which contributions made by both the Member and the Employer (including monies transferred in from other schemes) and to which with income earned is also credited.

Non-Exempt Account

This is the portion on a member's account balance which is not tax exempt.

Normal Retirement Age (NRA)

This is the 30th day of the month of June following the sixtieth (60th) birthday

Pensionable Salary

This is the basic monthly salary excluding allowances. Pensionable Salary is the amount on which the contributions are calculated under the Scheme's Trust Deed and Rules.

Pensionable Service

This is the period of continuous service with NSSF starting from the date a member joins the NSSF as a permanent and pensionable employee. This includes leave of absence up to a maximum of 9 months as well as staff on secondment to other institutions.

Retirement Benefits Authority (RBA)

The Retirement Benefits Authority (RBA) means the Authority established under the terms of the Retirements Benefits Act, Cap 197, which is mandated to regulate, supervise, and promote retirement benefit schemes and the development of the sector.

Scheme

In this context, the Scheme means the **National Social Security Fund Staff Pension Scheme (“NSSF SPS”)**, established under an irrevocable Trust Deed and Rules with effect from 1st July 2011.

Sponsor/Employer

In this context, the Sponsor/Employer means the Trustees of NSSF.

Trivial Pension

Trivial pension shall be the amount, from time to time determined by the **RBA**, which shall not be less than fifty percent of the average minimum wage prescribed by the Minister for the time being responsible for matters relating to labor in the year in which the benefit becomes due.

Trustee

Means the NSSF SPS Registered Trustee. There shall be 4-9 persons appointed by the Sponsor to manage the Scheme. Of this number, at least 50% shall be elected by members. Appointment and election of Trustees shall be done considering diversity in terms of gender, age, skill set, etc.

Active member

A member who is in **Active Pensionable Service** and whose pension contributions are up to date.

Deferred member

A deferred member is a member who has left the **Active Pensionable Service** of the Employer and who has left all or part of his **Accumulated Credit** in the Scheme until he attains **Early Retirement Age** or **Normal Retirement Age**.

Retiring member

A retiring member is a member who has left the service of the employer and is waiting to be paid his benefits in accordance with the provisions of the Trust Deed and Rules.

7. CONTACTS

The Trust Secretary, NSSF SPS
Ground floor, Social Security House
Tel: 020 283 2442
Email: pension@nssfkenya.co.ke