

9.7 Normal Retirement

A member who retires on attainment of 60 years of age is entitled to a lump sum payment and a monthly pension for the rest of his/her life.

9.8 Death in Retirement

If a member dies in his/her retirement, his/her spouse and children below the age of 18 years or (23 years if still in school) are entitled to a monthly pension. The spouse's pension is paid for the rest of his/her life.

10. TAXATION

Benefits payable from pension funds are subject to taxation as prescribed by the Income Tax Act cap. 470. However payment of lump sum and pension benefits for members above age sixty five (65) is tax free.

10.1 Tax on Contributions

Your contributions are deducted from your salary before tax is calculated, which means that full tax relief is granted. Presently contributions (including AVC) not exceeding Kshs. 20,000/= are tax free. Contributions into the Scheme exceeding Kshs. 20,000.00 per month attract tax on the interest earned.

10.2 Lump Sum Benefits

Effective 1st January 2010, the tax free cash lump sum is Kshs. 60,000.00 times the number of full years of service as a member of the Scheme subject to a maximum of KShs. 600,000. Lump sum payments above these limits are subject to tax at prescribed rates.

- a. On exit before retirement and with less than 15 years of membership in the Scheme, a member will get Kshs. 60,000.00 tax free per year of membership and the benefits will be taxed on the following tax bands;

Amount in Kshs.	Tax Rate applicable
On The First 121,968.00	10%
On The Next 114,912.00	15%
On The Next 114,912.00	20%
On The Next 114,912.00	25%
On The Balance	30%

- b. On retirement and for members with more than 15 years of membership in the Scheme, a member will get Kshs. 60,000.00 tax free per year of membership and the benefits will be taxed on the following tax bands;

Amount in Kshs.	Tax Rate applicable
On The First 400,000.00	10%
On The Next 400,000.00	15%
On The Next 400,000.00	20%
On The Next 400,000.00	25%
On the Balance	30%

10.3 Tax on Pension

Pension income of up to KShs. 25,000 per month or KShs.300,000 p.a is tax free. Pensioners earning pension above Kshs. 25,000 per month or KShs.300,000 p.a are taxed at the normal PAYE rates on the amount above this limit.

11. MEMBER COMMUNICATION

11.1 Benefits Statements

This is a document that is normally issued once a year to in-service and deferred members showing accumulated contributions including the interest, and the estimated value of the plan as at the statement date.

11.2 Annual General Meeting

The Scheme convenes an Annual General Meeting every year as required by the Retirement Benefits Act. The business of the Annual General Meeting includes Chairman's report, any changes to the benefits or contribution structure of the Scheme, audited accounts, investments, remuneration of trustees and may include election of Trustees.

11.3 Beneficiaries Nomination Form

This is a form that members use to indicate who their beneficiaries and dependants are. The form should be updated regularly as a member's circumstances change. Where a member's declaration of nominees is found either inconsistent or incorrect, Trustees may exercise their discretion in deciding on who to be paid benefits following death of the member.

11.4 Member Education

Every year, the Secretariat with the support of the Trustees conducts a member education program targeted at the in-service members and the retirees. During these meetings, the members get to be updated on the status and performance of the Scheme as well as on other issues of importance to them and relevant to the Scheme.

11.5 Member Information Booklets

The member information booklets are a simplified and summarized version of the Trust deed and Rules of the Scheme. It serves as a good reference point of the Scheme Rules.

11.6 Member Self-service Options

The Fund has implemented an interactive SMS service that will enable members query their balances and make enquiries using their mobile

phones. It is hoped that this initiative will greatly improve customer experience through provision of instant feedback to members' issues. Members can register for this service by filling application forms that are available at the Secretariat's office or downloaded from the Fund's website.

DISCLAIMER

This information flyer is intended at providing you with a general overview of the Defined Benefits Scheme of the Kenya Power Pension Fund.

Please note that while every effort and due care has been taken to ensure that the information provided is correct and updated, no liability will be borne by the Board or the management for any errors or omissions in the handbook.

Should there be any conflict between the information provided herein and the Trust Deed & Rules, the later shall prevail.

If you have any questions regarding this booklet, please get in touch with the Secretariat at the contacts here below.

SCHEME CONTACTS

Kenya Power Pension Fund

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Defined Benefits (DB) Scheme



Member Information

2016

1. BACKGROUND

The Kenya Power Staff Retirement Benefits Scheme was established under a Trust Deed in January 1970 by the then East African Power and Lighting Company Limited, the predecessor to Kenya Power & Lighting Company Ltd.

2. MAIN PURPOSE OF THE SCHEME

The Scheme was established by the Sponsor with the main objective being to provide reasonable benefits to employees (members) upon their retirement or to their dependants in the event of death in service. Besides this core objective, the establishment of the scheme was to also serve the following purposes:

- An incentive through which the employer could attract and retain employees.
- A Scheme through which employees could save for their retirement.
- A Scheme through which the employees could enjoy tax relief by virtue of being members of a retirement benefits scheme.
- A boost to the employer's corporate image and public perception

3. VISION

To be the best-in-class occupational pension scheme in Africa

4. MISSION

To deliver value and quality of life in retirement to our members

5. CORE VALUES

- Integrity
- Accountability
- Courtesy
- Efficiency
- Stewardship

6. MANAGEMENT OF THE SCHEME

6.1 The Board of Trustees

The responsibility of ensuring that the Scheme is administered in accordance with the Trust Deed & Rules as well as in compliance with the relevant laws rests with the Board of Trustees. Presently, the Board is made up of Seven (7) members four (4) of whom are Sponsor nominated, two represent the unionized employees and one (1) a representative of the retirees. The current members of the Board of Trustees are;

Sammy A. Oduori - Chairman
Dr. Ben K. Chumo
Kenneth Tarus
Beatrice Meso

Abubakar Swaleh
Ernest N. Nadome
Kosgey C. Kolil

6.2 The Secretariat

The Secretariat is responsible for among other things implementation of the policies formulated by the Board of Trustees. The Secretariat handles the day to day activities of the Scheme and provides liaison with the contracted professional services providers, regulating authorities and business partners.

6.3 Professional Services Providers

a. Scheme Fund Managers

To manage the Scheme's assets invested in the equity market as well as in the government securities. The current fund managers are Co-op Trust Investment Services Limited and Stanlib Kenya Limited.

b. Custodians

To hold custody of the assets invested in both the equity market and the government securities. The custodian does maintain safe custody of the Schemes critical documents such as the Title Deeds and share certificates. The current custodians are Standard Chartered Bank and Cfc Stanbic Bank.

c. Auditors

To check and verify the accuracy of financial records and the accounting practices of the Scheme. Auditors do also review and make recommendations on the Scheme's operational processes and systems. The current auditors are Ernst & Young.

d. Property Manager

The property manager is charged with the responsibility of liaising with the tenants on behalf of the Scheme. The current property manager is GIMCO Limited.

e. Actuaries

This is an expert qualified to assess the funding and solvency levels for pension Schemes and insurance companies. An actuarial exercise is undertaken every three years to establish the match between the Scheme assets and its liabilities. The current actuaries are Alexander Forbes Financial Services.

6.4 The Retirement Benefits Authority (RBA)

The Retirement Benefits Authority is mandated under the Retirement Benefits Act 1997 to regulate and supervise the establishment and management of Retirement Benefits Schemes in Kenya. The Kenya Power Staff Retirement Benefits Scheme is registered with RBA.

7. STRUCTURE OF THE SCHEME

The Defined Benefits (DB) Scheme is an employer sponsored retirement benefits arrangement in which benefits payable are calculated using a predetermined formula. The benefits are dependent on a member's basic

salary and length of membership to the Scheme and are not dependent on level of contributions or performance of investments.

7.1 Membership

The Defined Benefits Scheme was closed on 30th June 2006. Since this date no new members have been admitted into the Scheme. The Scheme is however active in as far as its administration, reporting and compliance are concerned.

The membership of the Scheme is made up of all in-service employees who were on permanent terms of employment as at the date of closure of the Scheme. Employees who had retired earlier than the date of closure who receive pension are also members of the scheme. The third category of members comprises of employees who withdrew from the Scheme and to date have not collected their full withdrawal benefits (deferred members).

7.2 Contributions

Up to the closure date of 30th June 2006, the contribution rates for the employee and employer were 5% and 10% of employee's basic salary respectively. Being a closed scheme, neither the members nor the employer makes any contributions into the Scheme.

8. SCHEME INVESTMENTS

The Scheme has diversified its investment into various asset classes. The investments are guided by the requirements of the RBA which issues investment limits on the various asset classes. The Scheme also has a duly prepared Investment Policy Statement which besides being aligned to the RBA regulations, lays out the investment strategy of the Scheme.

8.1 Kenya Government Securities

A bond (or debt obligation) issued by a government authority, with a promise of repayment upon maturity that is backed by the said government. Government securities are usually in the form of treasury bills or bonds.

8.2 Equity Market

Also known as the stock market, It is one of the most vital areas of a market economy because it gives companies access to capital and investors a slice of ownership in a company with the potential to realize gains based on its future performance.

8.3 Real Estate or Properties

Investments under this class include land, commercial buildings, and residential housing projects. The Scheme owns the following properties;

- Stima Plaza (Rental)
- Karen (Land)
- Loresho (Residential for sale)
- Umeme Plaza (Rental)

8.4 Alternative Investment

The Scheme has investments in private equities which are not listed in Nairobi Stock Exchange as an avenue for diversification.

8.5 Offshore Investments

These are investments done outside the country.

8.6 Corporate Bonds

Corporate bonds are long-term debt instruments issued by companies to raise capital for expansion of business. They are an alternative to issuing new shares on the stock market (equity finance) and have a maturity date falling at least a year after their issue date.

9. BENEFITS PAYABLE

The Scheme provides various benefits depending on the circumstances under which an employee /member leaves employment;

9.1 Withdrawal (Resignation, Termination or Dismissal)

A member who withdraws following a resignation, termination of services or dismissal from employment, is entitled to a sum equal to fifty (50%) of his/her accrued benefits. The remaining balance is deferred until when the member attains early retirement age of 50 years at which point he gets paid a lump sum and monthly pension (if the benefits will not amount to a trivial pension).

9.2 Transfer of Funds

If you leave employment and opt not to be paid your benefits, you can request for a transfer of your benefits to another registered Scheme or an individual retirement benefits plan of your choice. Members who opt to be paid a portion of their benefits and defer fifty (50%) of their benefits can transfer the deferred benefits to another registered Scheme or an individual retirement benefits plan.

9.3 Retirement on Medical Grounds

A member who retires on grounds of ill health is entitled to a lump sum payment and a monthly pension for the rest of his/her life. The ill health has to be certified by a medical practitioner.

9.4 Death in Service

If a member dies while in service, his beneficiaries (spouse and a maximum of 4 children) are entitled to a pension and lump sum payment of return of employee contributions. The spouse's pension entitlement is for the rest of his/her life while children earn pension up to the age of 18 years or 23 years if still in school/college.

9.5 Death in Deferment

On death before Normal Retirement Date of a Member who has left service and is entitled to a deferred pension in accordance with the provisions of the Trust Deed and Rules, there shall be paid to his dependants, a gratuity equal to the actuarial cash equivalent of the Member's deferred pension at the time of death.

9.6 Early Retirement

Members aged above 50 years but below 60 years can apply for early retirement. If granted approval by the employer, he/she is entitled to a lump sum payment and pension for the rest of his/her life.