9.5 Death in deferment
If you die while in deferment, your beneficiaries will be entitled to a lump sum equivalent to your deferred benefits in the Scheme.

9.6 Early Retirement
The Rules of the Scheme allows for a member to retire with the Employers consent on attainment of age 50 years. Under the current legislation, a retiring member is entitled to commuting a third (1/3) of his/her member account into a lump sum payment and using the balance of two thirds (2/3) for procurement of a pension annuity from an insurance company. Additional Voluntary Contributions (AVCs) if part of the account, can be paid as a cash lump sum if a member so wishes.

9.7 Normal Retirement
If you retire on attainment of normal retirement age of 60 years, you will be entitled to the following benefits;

- A lump sum payment equal to a third of your member account.
- pension procured from your preferred insurance company with the remaining two thirds of your member account. The level of the pension will be dependent on the prevailing rates for annuities.

9.8 Death in Retirement
Depending on the type of annuity purchased at retirement, your spouse or beneficiaries may be entitled to equivalent or part of your pension. The level and length of the pension entitlement is dependent on the revisionary terms of the annuity purchased at retirement.

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) are 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. 25,000.00 per month or KShs.300,000 p.a is tax free. Pensioners earning pension above Kshs. 25,000.00 per month or KShs.300,000.00 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 member education seminars targeted at the in-service members and the retirees. During these seminars, 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 Booklets
The member 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 Scheme 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 Scheme's website.

DISCLAIMER

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

SCHEME CONTACTS

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KENYA POWER PENSION FUND
Defined Contribution

Defined Contributions (DC) Scheme

Member Information

1. BACKGROUND

The Kenya Power & Lighting Company Limited, Staff Retirement Benefits Scheme 2006 ("the Scheme") was established on 1 July 2006, following the closure of the Defined Benefits Scheme on 30th June 2006. As a Defined Contributions Scheme, the Scheme is managed by a Board of Trustees whose membership is divided equally between Sponsor nominated Trustees and member nominated Trustees. The administrative functions of the Scheme are undertaken by the Secretariat of the Defined Benefits Scheme in an arrangement whereby the DC Scheme pays an administrative fee to the DB Scheme.

2. MAIN PURPOSE OF THE SCHEME

The Scheme was established by the Sponsor Kenya Power and Lighting Company (KPLC) with the main objective being to provide benefits to employees (members) upon retirement or to their dependents in the event of death in service.

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
- Courteous Service
- Stewardship

6. MANAGEMENT OF THE FUND

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 nine (9) members four (4) of whom are Sponsor nominated, two (2) represent the unionized employees and two (2) represent middle management. The current members of the Board of Trustees are;

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

1) 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.

2) 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 custodian is Kenya Commercial Bank Limited.

3) 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.

4) Actuaries

This is an expert qualified to assess the funding and solvency levels for pension Schemes and insurance companies. An actuarial review is undertaken quarterly to establish the interest to be distributed to members' accounts. 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 & Lighting Company Limited, Staff Retirement Benefits Scheme 2006 is registered with RBA.

7. STRUCTURE OF THE SCHEME

The Scheme is a defined contribution (DC) scheme an arrangement in which the employee and the employer makes contributions into the Scheme. The contributions are invested to provide a fund which is used to provide a lump sum and also buy an annuity (pension) on retirement. In a DC Scheme, the benefit paid to a member are determined by the level of contributions and the investment return made by the Scheme throughout the years of membership.

7.1 Membership

To become a member of the Scheme, you must be at least eighteen years of age, employed on permanent terms, have completed any probationary period required and been confirmed into the employment of the Sponsor. You are also required to complete a membership form.

7.2 Contributions

Every month 5% of a member's basic salary is deducted and remitted to the Scheme. The Employer contributes 10% of basic salary on behalf of the member. The two contributions are maintained in the member account but split into Employee account and Employers account.

7.3 Additional Voluntary Contributions (AVC)

In addition to the 5% mandatory contribution, a member may on his own volition make an additional contribution of whatever amount he or she wishes. Voluntary contribution gives the member the ability to have control over the level of benefits, by choosing the pace and amount of additional saving for retirement. The benefits of a member making an additional contribution include the following;

- To take advantage of the tax benefit provided on contributions
- To grow the member account for a better retirement package
- It increases benefits to dependants in case of death in service

7.4 Member account

Each member of the Scheme has an account into which contributions are received and investment interest credited when declared. On a quarterly basis, once the management accounts are prepared, the actuary analyses the report and advises the Trustees on the quarterly interest rate to declare based on the investment return (less expenses) achieved by the Scheme.

The level of benefits payable at retirement is dependent on four basic factors;

1. The level of contribution the member makes to the Scheme.
2. The contributions that the Employer makes on behalf of the member.
3. The investment returns credited to the Member Account.
4. The prevailing annuity market rates at retirement.

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 an Investment Policy Statement which besides being aligned to the RBA regulations, lays out the investment strategy of the Scheme.

a. 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.

b. 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.

c. Real Estate or Properties

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

- Karen, Bogani Road (Residential for sale)
- Kilimani, Kirichwa Road (Land)

d. Alternative investment

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

e. Offshore Investments

These are investments done outside the country.

f. 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

If you withdraw from the Scheme following a resignation, termination of services, or dismissal from service, you will be entitled to the following benefits subject to the vesting rules;

- a lump sum payment made up of 100% of your employee contributions and 50% of the employers contributions paid with interest to the date of withdrawal.
- A deferred pension benefit from the retained 50% of the employers contributions on attainment of retirement age

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

If you retire on account of ill health, you will be entitled to:

- a refund of a third of your member account paid as a lump sum
- pension procured from your preferred insurance company with the remaining two thirds of your member account. The level of the pension will be dependent on the prevailing rates for annuities.

9.4 Death in Service

If you die while in active service of the employer, your beneficiaries will be entitled to:

- A lump sum payment equal to 4 times your annual basic salary as a group life insurance benefit
- A lump sum payment equal to your accumulated member account i.e. your contributions plus those of the Employer and accrued interest.