



Kenya Literature Bureau Defined Contribution Staff Retirement Benefits Scheme - DC 2011



MEMBER'S HANDBOOK

SEPTEMBER 2014

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Introduction

Kenya Literature Bureau Defined Contribution Staff Retirement Benefits Scheme 2011 has been established to provide retirement benefits for eligible members and your dependants, both during your career and at retirement. The Scheme became operational with effect from 1st April 2011 as a result of the Organization's decision to set up a retirement benefits scheme for its' employees

The Scheme operates just like a normal savings account with which you will be familiar. Contributions are made by yourself into your own individual account. The Organization also pays contributions on your behalf into your account. The contributions are invested to earn interest which is also credited to your own account. When you cease to be a member of the Scheme, whether through retirement, voluntary resignation, redundancy or early death, you become entitled to the benefits which have accumulated during the period while you have been a member of the Scheme. The benefits are payable in accordance with the provisions of the Trust Deed and Rules.

The Scheme is set up and run as a Trust. Its assets and contributions which are paid by you and the Organization into the Scheme are invested and held separately from those of the Organization's. They are then used to provide the benefits as described in this booklet.

Some Terms Used In This Booklet

Accumulated Credit

The total of contributions paid by you and the Organization, on your behalf, together with interest in order to provide retirement and early leaving service benefits.

Exempt Account

This is a sub-account in your own account in the Scheme where both your contributions and the Organization's contributions that are tax deductible within the Income Tax limit and investment income accrued on these contributions are credited.



Facility

This implies a retirement mortgage facility or a house ownership loan agreement.

Founder/ Sponsor / Organization

Kenya Literature Bureau (KLB)

Institution

This refers to either a bank, mortgage or a financial institution licensed under the Banking Act, a building society licensed under the Building Societies Act, a micro finance institution established and registered under the Microfinance Act 2006, the National Housing Corporation; or any other institution, including an issuer of a tenant purchase arrangement that is specifically approved by the Authority for the purpose of providing a facility.

NSSF

National Social Security Fund, to which contributions are mandatory for both the Organization and employees.

Non-exempt Account

This is a sub-account in your own account in the Scheme where both your contributions and the Organization's contributions that are in excess of the Income Tax limit and the income accrued on these contributions are credited.

Normal Retirement Age (NRA)

This is age of sixty (60) years.

Pensionable Salary

This is your basic monthly salary exclusive of bonuses, commissions, overtime and any other fluctuating emoluments.

Pensionable Service

This is your period of full time continuous Service with the Organization after completion of any probationary period.



Scheme

This is the Kenya Literature Bureau Defined Contribution Staff Retirement Benefits Scheme 2011, established under Trust Deed and Rules with effect from 1st April 2011.

Tier I Contributions

These are mandatory contributions payable to the NSSF Scheme.

Tier II Contributions

These are mandatory contributions that are payable either to the NSSF Scheme or another registered retirement benefits scheme e.g Kenya Literature Bureau Defined Contribution Staff Retirement Benefits Scheme 2011.

Trustees

The Trustees are appointed individuals or are a body corporate appointed by the sponsor. They are responsible for ensuring that the Scheme is administered in accordance with the terms of the Trust Deed and Rules. They carry out their duties and responsibilities independently from the Kenya Literature Bureau. The Trustees meet quarterly to deal with the business of the Scheme and they have a duty to ensure that the Scheme is run in the best interests of all its members.

Trust Deed and Rules

Means the Trust Deed and Rules dated the 26th March 2014 together with any deeds that may be expressed to be supplemental thereto.

Objectives Of The Scheme

The purpose of the Scheme is as follows:-

- a) To provide retirement benefits for a member leaving the service of the Organization in accordance with the Provision of the Trust Deed and Rules.
- b) To provide other benefits as stipulated.
- c) To obtain revenue by investing in securities approved by the Trustees.



Assets Of The Scheme

The assets of the Scheme consist of:

- Accumulated Contributions by the Organization, including Tier II Contributions;
- Contributions by the Members including Tier II Contributions;
- Revenue from the investments and securities held by the Trustees in the name of the Scheme (interest, dividends etc);
- Capital accruals arising from the sale of such investments and securities; plus
- any monies forfeited in accordance with these Rules.
- Less any applicable expenses, levies & taxes.

Membership and Eligibility

Who can join the Scheme?

Any full-time permanent employee of the Kenya Literature Bureau.

Or

Other employees of the Organization as the both the Organization and Trustees may determine.

How do I join the Scheme?

You will need to complete an application form and nomination of beneficiary form; copies of the application form can be obtained from the Human Resources Office or from the Scheme Administrator

What happens if I leave and then rejoin the Organization?

For the purpose of membership of the Scheme, you will be treated as a new member when you rejoin.

What is the difference between my membership in NSSF and Kenya Literature Bureau Defined Contribution Staff Retirement Benefits Scheme 2011.

NSSF is a mandatory state scheme that requires every employer and employee to register and contribute to the scheme. The NSSF Act of 2013, provides that



all employers shall contribute on behalf of their employees. Mandatory contributions classified as Tier I contributions as stipulated by the act are payable to the NSSF Trust Fund only. Mandatory Contributions classified as Tier II contributions can be contributed to either a contracted out scheme or the NSSF Trust Fund.

Employers and employees can make a decision of whether to contribute Tier II Contributions to the NSSF Trust Fund or a contracted out scheme i.e Kenya Literature Bureau Defined Contribution Staff Retirement Benefits Scheme 2011.

Contributions

What do I have to pay as a member of the Scheme?

You will be required to pay 7.7% of your Pensionable Salary. This will be deducted from your salary or wage each month and paid into your own account under the Scheme. Your contributions currently are tax deductible upto a limit of Kshs 20,000 monthly and Ksh 240,000 yearly. These limits are however varied from time to time as shall be guided through the budget changes. The Contributions shall include Tier II NSSF Contributions as per the NSSF Fund Act 2013.

What will the Organization pay?

The Organization will pay an amount equal to 15.4% of your Pensionable Salary. This will be paid each month on your behalf into your account under the Scheme. These contributions shall include Tier II NSSF contributions as stipulated under the NSSF Act 2013

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 of time?

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 all of your absence, contributions will be reduced proportionately or suspended. If contributions are suspended, the period will not count as Pensionable Service - the period before and after the break will then be treated as continuous.



Can I pay more?

Yes. If you wish to do so, you can pay further contributions into your account on a monthly basis, provided that the amount is set as a percentage of your Pensionable Salary. Once you start to pay additional contributions, you will NOT be able to stop or reduce the payments until the next start of the Scheme's financial year. You will need to inform the Trustees in writing of your wish to take up this option of paying further contributions.

The Organization will not increase the contribution it pays on your behalf even if you do decide to pay more.

When are the contributions paid into the Scheme?

Your contributions, together with the Organization's contributions, will be paid into your account under the Scheme as soon as possible after you have been paid. In any event, they shall be paid into your account not later than ten days after the last day of the calendar month to which the contributions relate as stipulated in the Retirement Benefits Authority Regulations.

Can I make contributions after leaving KLB?

No. You can only make contributions if you are a full time employee of KLB.

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 for growth of your retirement saving.

The Trustees will decide on the interest rate to be credited to the Accumulated Credit in your account. This will be based on a prudent estimate of the returns that the assets of the Scheme may achieve in the long term.

The interest earned on your contributions within the Exempt Account will not attract income tax while interest earned on Non-exempt Account will attract tax at the Organization's tax rate.

If you leave part way through the year, you will be eligible to receive interest on your Accumulated Credit which will be based on the income distribution policy as decided by the Trustees.



Normal Retirement

What is my benefit at Normal Retirement Age?

Upon retiring from the service of the Organization at your Normal Retirement Age, you will be eligible to receive one third cash lump sum benefit of your total accumulated credit and the balance of two thirds is used to purchase an annuity from an insurance company of your choice.

Can I retire later than my Normal Retirement Age?

Yes. If, for any reason you are asked by the Trustees subject to the Employer's consent to remain in Pensionable Service beyond your Normal Retirement Age, you will continue to pay contributions during this period. The Organization will also continue paying contributions on your behalf as well. When you do actually retire, then you will be eligible to receive one third cash lump sum benefit from the Scheme and the two thirds used to purchase an annuity from an insurance company of your choice.

Early Retirement

What is the age for retiring early?

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

What benefit is payable if I am retired early?

If you are retired by the Organization after attaining the age of 50 (fifty) years, but before you have attained Normal Retirement Age, you will be eligible to receive one third cash lump sum benefit and the remaining two thirds is used to purchase an annuity from an insurance company.

Can I request to retire early?

You may request the Organization to retire early, provided you have attained the age of 50 years. If the Organization agrees, you will be eligible to receive one third cash lump sum and the remaining two thirds shall be used to purchase an annuity in an insurance company.



III-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, then you may be able to retire early on ill-health grounds.

You will need to provide acceptable medical evidence 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. It will also be necessary to obtain the Organization's agreement to take early retirement.

If you qualify for early retirement on ill-health grounds, you will be eligible to receive one third cash lump sum benefit and the balance of two thirds of benefit shall be used to purchase an annuity in an insurance company.

Resignation Or Termination

What happens if I decide to leave early?

- a) Should you decide to resign from the Pensionable Service of the Organization, or should your service be terminated by the Organization for whatever reason before completing one year of scheme membership and you are not eligible to qualify for benefits under the early retirement rule, then you will be eligible to receive a lump sum cash benefit from the Scheme determined as follows:-
 - i) a full refund of your share of Accumulated Credit at the date of leaving which is attributable to your contributions plus interest if any plus
- b) Should you decide to resign from the Pensionable Service of the Organization, or your service has been terminated by the Organization for whatever reason after completing one year of scheme membership and you are not eligible to qualify for benefits under the early retirement rule, then you will qualify for the following benefits from the Scheme:-
 - i) a full refund of your share of Accumulated Credit at the date of leaving which is attributable to your contributions plus interest if any



plus

ii) Fifty Per cent (50%) of the Organization's portion of your Accumulated Credit at the date of leaving and the remaining fifty percent (50%) plus interest if any accrued will be deferred to Normal Retirement Age, at which point in time you will receive payment as per the scheme rules on members leaving on normal retirement.

However you shall not access benefits that accrued to Tier II contributions in the scheme until the attainment of the retirement age

Will my deferred benefits continue to earn income?

Yes, your deferred benefits remaining in your Accumulated Credit will continue to participate in interest distributions if any, as declared by the Trustees of the Scheme.

What options do I have with my deferred benefits?

You can opt to leave your deferred benefit with the Scheme until Normal Retirement Age of the Scheme when you will be entitled to your full cash lump sum of your Accumulated Credit then

Or

You can transfer your deferred benefit to another scheme registered by the Retirement Benefits Authority and the Kenya Revenue Authority.

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 immigrate out of Kenya to another country as a permanent resident. Evidence of immigration will be required.
- ii) If you are retired on grounds of ill-health, early retirement or normal retirement.

What if I leave and join another Organization which has a retirement benefits scheme?

As long as the other organization's retirement benefits scheme is registered by the Retirement Benefits Authority and approved by the Commissioner of Income Tax under the requirements of prevailing legislation, you may elect to transfer your entitlement to your new employer's retirement benefits scheme.



Death In Service

What happens if I die whilst in Pensionable Service?

A lump sum cash benefit, equal to the balance of your Accumulated Credit in your account at the date of your death will become payable from the Scheme to your nominated beneficiaries in accordance with the provisions of the trust deed and rules and any applicable death benefits policy that may be put in place by the trustees from time to time.

How will the death benefits be paid?

The Trustees have the power to pay or apply any benefit arising from the Scheme as a result of your death to your nominated beneficiaries or any other person they deem was a dependant.

Can I nominate a beneficiary to receive a benefit on my death?

Yes. If you wish to nominate a person(s) as a beneficiary, you should complete a Nomination Form. Copies can be obtained from the Human Resources Office or from the Scheme Administrator.

You should remember that your Nomination Form only acts as a guide to the Trustees. The Trustees will generally follow your wishes for payment of your death benefits, but they are not obliged to do so.

What is a Nomination of Beneficiary Process?

This process is where the member/ principal intentionally elects his beneficiaries of whom processed payments of Death Benefits are payable to. A form is filled of which acts like a will for the purpose of these benefits. This document that helps the Organization, the trustees of the scheme and all relevant service providers confirm the elected beneficiaries in the form. This process is only relevant at the point of the member's demise.

Upon presentation of the filled document, you are required to produce the following.

- i) Identification documents for your beneficiaries, i.e Identification cards and Certificate of Birth for minors.



ii) A certificate of Marriage for a spouse married under the Marriage Act Cap 150.

or

An Affidavit of Marriage duly commissioned by a Commissioner of Oaths for a Customary Law Marriage.

This document is confidential hence the trustees as well as the relevant service providers treat it as such.

How Benefits Are Paid

Will my benefits be taxed?

Your benefits will be given tax relief up to a certain maximum (every member is entitled to a tax relief of Kshs. 60,000 for every year in the scheme up to a maximum relief of Kshs. 600,000.00) and thereafter will be taxed. If you have benefits under the Non-exempt Account those benefits are not taxed at payment.

The benefits that accrue to Tier II contributions shall be taxed in accordance to the provisions of the NSSF Act 2013.

Can I assign my benefits to someone else, or use them as collateral for a loan, mortgage etc?

Yes, you can assign up to 60% of your accrued benefits to the Scheme for a consideration for the purpose of furnishing a guarantee by the Scheme, in favour of an Institution, in respect of a loan to be granted by the Institution to enable you to:

- i. Acquire immovable property in which a house has been erected.
- ii. Erect a house on immovable property which you own together with your spouse.
- iii. Add, alter or carry out repairs to a house that you or your spouse own.
- iv. Secure financing or a waiver of deposits, stamp duty, valuation fees and legal fees, but excluding arrangement and commitment fees and any other transaction cost required in the course of acquisition of the immovable property on which the house has been erected.

However under no circumstances will you be allowed to assign your benefits



to anyone else or use them as security for a loan except as provided for under this head.

What if I go to live in a village or someplace where communication is difficult?

If, for some reason you have not claimed your benefits from the Scheme, and the Trustees have not been able to trace your whereabouts, they shall only be accountable for your benefits for a limited period as may be guided by the applicable legislation as at that time. It is your responsibility to keep the Trustees informed of your whereabouts if you have not claimed your benefit entitlement from the Scheme.

Can I receive my benefits in foreign currency?

No. All payment of contributions and benefits will be made in the currency of Kenya and in Kenya.

What if I become mentally or physically disabled?

In the event that you become disabled to such an extent that it impinges on your ability to receive your benefits, the Trustees shall apply their discretionary powers in determining the rightful beneficiary for the purpose of payment of benefits in relation to mental disability.

For physical disability you shall receive your benefits as per the provisions in the trust deed and rules relating to leaving the service of employment.

Some Other Information

Who can change the Rules and when?

The Trustees may change the provisions of the Trust Deed & Rules governing the Scheme, but only with the consent of the Organization and subject to the approval of the Retirement Benefits Authority and Commissioner of Income Tax.

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

If you were a member of any approved retirement benefit scheme operated by



another employer before you joined the Organization, you may be able to transfer your accrued benefits across into the Scheme.

Please contact the Human Resources office if you would like further information about your particular case or the Scheme Administrator.

How do I plan ahead for retirement?

The Trustees are committed to helping you achieve a secure retirement, but this can only happen if you spend time thinking about the future and planning ahead for the day you retire. To assist you with your planning, you will be provided with an annual benefit statement, which will show the build up of your benefits.

Periodic training sessions are arranged with the service providers through which relevant information is availed to assist you in effective retirement planning.

Will I receive information about benefits once I leave the Organization?

If you leave the Scheme with an entitlement to deferred benefit you will continue to receive an annual benefit statement. This will be sent to your last known address, so it is important you let the Trustees know of any change in your address or family circumstances.

Can I obtain any further information about the Scheme?

On written request to the Trustees, you will be provided with a copy of the Rules and all amendments. You can also request that a copy of the annual accounts of the Scheme be made available at some convenient time to review.

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

You should put your complaint in writing for the Trustees' consideration. The Trustees will then look into the facts of your dispute and after considering the representations of other interested parties, will make their decision. Such decision will be final and binding on all persons.

However if you feel your problem has not been fully addressed you are free to contact the Retirement Benefits Authority which is the retirement benefits regulator.

Disclaimer.

This booklet has been issued to provide you with a guide to your benefits. As such, it does not cover every aspect of the Scheme's structure and composition. Full details of how the Scheme operates are set out in the Trust Deed & Rules, which may be amended from time to time. Should there be any question of interpretation between the Trust Deed and Rules and this booklet, the Trust Deed and Rules takes precedence over the handbook.

For further information about any aspect of the Scheme, please contact the Human Resources Department or the Scheme Administrator. Contact details are provided as here below. All inquiries will be treated in the strictest confidence.

Contacts

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