ISSUE 13

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Dear Reader,

We thank you for your continued support through your reading. This edition of the newsline is one of the relentless pursuits to ensure that we share with our esteemed clients information that will go a long way towards helping them achieve their retirement goal.

We trust that you will enjoy the reading and as usual we shall be very happy to hear from you.

Yours Faithfully,

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NSSF Act 2013 Tier 2
Employer opt out Regulations

BY SIMON WAFUBWA

Following the gazette-ment of the National Social Security Fund (Contracting Out by Employers) Regulations, 2014 through Legal Notice No. 86 of 13th June 2014, we advise that Employers who wish to remit Tier II contributions into a contracted-out scheme as provided under Section 21 of the NSSF Act may now apply to the Retirement Benefits Authority.

The Act has provided for an opt out option for any occupational retirement benefits scheme including an umbrella retirement benefits scheme or an individual retirement benefits scheme which has been approved and registered by the RBA for purposes of receiving Tier II Contributions and an undertaking to amend scheme rules within 30 days from date of application.

Declaration by the administrator/Actuary (where applicable) that the Scheme meets reference test as per the fourth Schedule of the NSSF Act no. 45 of 2013.

Accordingly, an employer may opt to pay Tier II contributions in respect of its employees into a contracted out scheme it participates in or opts to establish or participate in. The opt out option may be exercised subject to the following conditions –

- the employer shall make written request of its intention to opt out to the Authority at least 60 days before opting to contract out in such a way
- the written request required above shall clearly set out such details of the contracted out scheme as the Authority shall require from time to time in order to ascertain the contracted out scheme meets the reference scheme test
- within 30 days from the date of receiving the written request and provided that the contracted out scheme satisfies the reference scheme test specified in the Fourth Schedule, the Authority shall respond in writing indicating its approval or otherwise to the employer and notify the Board accordingly;
- Where such approval is received, Tier II pension fund credits in respect of the employees shall be transferred from the Pension Fund to the approved contracted out scheme; and
- the contracted out scheme shall maintain an accurate record of Protected Rights which shall be paid in the same manner as for benefits in respect of Tier II contributions as prescribed in the Act.

For employers who do not have a scheme, you may have to set up one or join an umbrella scheme which has been approved by the RBA for the purpose of obtaining exemption for remittance of Tier II contributions

Lastly, kindly talk to us through our contacts to be of assistance to you in case of any further clarifications. We further advice that we are readily available for a meeting to guide you further.
A written individual development plan is a powerful tool that one can develop and use to chart the course of their career and life in the direction that they so desire. Dr. Louis Pasteur said “in the fields of observation, fortune favors the prepared mind.” and this just goes to show why there is a need for preparation and one way to prepare is to have a plan of where you want to go and how you intend to get there. In developing an Individual development plan one has to identify the following:

- What you want to get better at
- How you are going to do it
- Where you are going to do it

In creating the plan, this can be a collaborative activity between the person creating the plan and their mentor if they have one. While developing one, it is important that one identifies specific areas where they are interested in pursuing and with the help of their managers/supervisors are given assignments where the individual can gain experience as this creates powerful learning experiences for all parties involved. By doing this one is in a position to identify what is not right for them and focus on building their skills in the specific areas of interest and strength.

After all is said and done, write down the plan as this demonstrates commitment on your part.

Benefits of the Written Plan

- It will force you to clarify what you want
- It will motivate you to take action
- It will provide a filter for other opportunities, you are able to say no to opportunities that are good but are not within the vision and plan that you have for your life
- It will enable you to overcome resistance, every goal and dream encounters resistance, so if the goal is written down you are able to focus on it and not the resistance.

In the book What They Don’t Teach You in the Harvard Business School, Mark McCormack observed through a study conducted on students in the 1979 Harvard MBA program.

In that year, the students were asked, “Have you set clear, written goals for your future and made plans to accomplish them?” Only three percent of the graduates had written goals and plans; 13 percent had goals, but they were not in writing; and a whopping 84 percent had no specific goals at all.

Ten years later, the members of the class were interviewed again, and the findings, while somewhat predictable, were nonetheless astonishing. The 13% of the class who had goals were earning, on average, twice as much as the 84 % who had no goals at all. And what about the 3 % who had clear, written goals? They were earning, on average, ten times as much as the other 97 % put together.

“Without “a prepared mind,” insights may be missed and opportunities for breakout innovation overlooked. Achievements just don’t happen. They are a direct result of taking the time and putting forth the effort”. Laurie Brunner

Committing your goals or individual development plans to writing is not the end of the game but it is the beginning. As the late Zig Ziglar said in closing one of his sessions: “If you aim at nothing, you will hit it every time.” So paint a picture in your mind of what you want, write it down and create an action plan.
Healthy You

5 benefits of carrot juice!

1. Carrot juice is one of the richest sources of Vitamin A. Vitamin A and beta-carotene helps maintain vision.

2. Carrots are deep soil root vegetables, and this enables them to absorb an abundant array of minerals beneficial to health and healing.

3. Drinking carrot juice cleanses and helps restore the liver.

4. Carrots are rich in poly-acetylene antioxidant falcarinal. Research at the University of Newcastle has shown carrot falcarinal destroys pre-cancerous cells in tumors. Carrots do help keep cancer away.

5. The beta-carotene in carrots gives our skin a warm glow and is a major antioxidant. It also helps maintain epithelial tissue, the tissue surrounding internal organs. This tissue is susceptible to cancerous growths.

Quick Tips

Always buy organic carrots to juice or else you are drinking chemicals with your juice.

Remember juicing should not replace whole foods that contain colon-cleansing fiber vital for health.

Don’t store the juice, drink it fresh as soon as you have made it.

Use sweet baby carrots as older ones contain too much raw starch.

BENEFITS OF BROCCOLI

- Helps Prevent Cancer
- Curbs Overeating
- Boosts Immune Health
- Fights Birth Defects
- Fights Diabetes
- Fights Heart Diseases
- Promotes Healthy Bones
- Regulates Blood Pressure
- Prevents Cold

Lemon is a natural energizer; it hydrates and oxygenates the body so it feels revitalized and refreshed!

HEALTH BENEFITS OF DRINKING LEMON WATER

- Boosts your immune system
- Balances pH
- Flush out unwanted materials
- Decrease wrinkles and blemishes
- Relieve tooth pain
- Relieves respiratory problems
- Cures Throat Infections
- Excellent for Weight Loss
- Reduces Fever
- Blood purifier

Source: Google
Gratuity as one of The Social Welfare Benefits

BY RUTH NJUGUNA

Definition

Gratuity is a lump sum amount that an employer pays the employee (on contract) when he retires or resigns from the organization. An employee does not contribute any portion of his salary towards this amount. The rationale for gratuity is to encourage employees to offer longer service to the employer and to ease the termination of contract of employment by offering the sum of gratuity as consolation.

Gratuity is not provided for as a minimum condition of employment. But it has developed as a good practice in employment and employees have come to expect it from their employers.

Gratuity is usually paid in the following circumstances:

(i) when the employee retires
(ii) When the employee resigns
(iii) In event of death of the employee
(iv) In event of disablement i.e. because of accident or illness.

Eligibility

Generally, gratuity is payable upon successful completion of the agreed contract term. In alternative, an employee qualifies for gratuity payment after a specified period of employment, usually five years of service with the employer.

The gratuity payable depends on the terms of the contract of service. The prevalent practice is that the employer pays the employee a month’s basic salary for every year of service. However, there is no reason why the employer and employee cannot agree on alternative amounts.

In essence, gratuity should be a term of the contact of employment. It is not payable if the employee is summarily
dismissed as the employee is usually in fundamental of the terms of employment. In such an instance, the employee cannot insist on enforcing the terms of employment against the employer having failed to keep his part of the bargain. But that does not prevent the employee from staking a claim in the industrial court alleging unfair dismissal and citing the need to avoid paying the gratuity as why the employer dismissed him.

With regard to resignation, the contract of employment should state the minimum period that the employee should have served to be entitled to gratuity. Thus if an employee resigns after 5 years he is eligible for gratuity. The law does not anticipate that one will work for a single employer all his life.

If the employee resigns citing ill-health, depending on the stipulations of the contract, he may or may not be eligible for gratuity. The contract of employment may put a limit on the period which the employee must have served to be eligible for gratuity. However, if the ill-health is as a result of work injury acquired while with the employer, the employee may be entitled to claim gratuity, at least for the period already served.

In event of death of the employee, the gratuity is to be paid to the nominee of the employee or the personal representative. Just like in resignation, the contract of employment may stipulate the period that the employee must have served to be eligible for gratuity.

When an employee is laid-off due to redundancy reasons, depending on the stipulation of the contract of employment, the employee should be entitled to gratuity. That is, at least for the years worked as he can argue that, but for the lay-off, he was willing to work until he was entitled to gratuity. But usually, gratuity here is part of the negotiated golden handshake for the lay-off.

In the event of death of the employee gratuity is paid to the nominee.

**What Happens to My Gratuity when the company is under receivership?**

Finally, if the employer is undergoing losses or goes into receivership, those are not reasons enough to disentitle the employee to gratuity. Losses do not afford a company the defense to breach a contract, and gratuity is clearly a matter of contract of employment. If the company is under receivership, the affected employees will be entitled to claim gratuity against the receiver of the employer as a contractual debt.

**Tax Treatment of Gratuity**

Under the income tax Act, gratuity is taxed at 30% of the total amount paid.

Watch out for the next issue where we will feature the benefits of the pension scheme as opposed to the Gratuity arrangement.
CUSTOMER PROFILE: CHASE BANK

Chase Bank Limited is one of the fastest growing banks in Kenya with an array of products that target different groups from the young to those in business. We are privileged to be working together with Liberty pension Services in this all important social agenda and we can attest to the excellent and personalized service that we have enjoyed from Liberty Pension Services. As part of our commitment to partner together we have showcased some of our products and services as a bank and we trust that you will find with us the all time financial solution tailor made to suit your needs. Karibu Chase Bank.

Enjoy the banking app that is as mobile as you are:

Dial *275# or

Download from your mobile app store now

mfukoni
Simply Applastic!

Best Mobile banking app East Africa
AMAZING FACTS ABOUT HUMAN EYE

1. An average person blinks 12 times per minute.
2. It is composed of more than 2 million working parts.
3. Our human eye is 576 mega pixel!!!
4. Corneas are the only tissue that don’t require blood.
5. It can process 36,000 bits of information every hour.
6. The eyeball of a human weighs approximately 28 gram.
7. It is impossible to sneeze with eyes open.
8. About 10,000 blinks/day.

Source: Google
Dela Rue Staff Pension Fund members at an AGM with Liberty Pensions

Kibabii University members with Liberty after member education

Some staff of Liberty Pensions after an event
Registration and Governance of the Scheme

- The Scheme is established as a Trust and separate legal entity from the founding Company Liberty Pension Services Limited
- The scheme is registered and regulated by the Retirement Benefits Authority and Kenya Revenue Authority
- The Scheme Assets are held by the appointed Custodian and separated from the assets of the founding company enhancing the security of your retirement nest egg.
- The scheme assets are invested by the appointed fund manager who is licensed by the Retirement Benefits Authority
- The scheme has an appointed Corporate Trustee who is independent from Liberty Pension Services Limited and watches over the operations of the scheme on behalf of the members

How does it work?

- Members Join by completing an application form and attaching a copy of their national identity cards plus the passport size photographs.
- Liberty Pension Services Limited shall issue to each member of the scheme with a deed of adherence and a scheme membership certificate.
- Contributions from members are remitted to the scheme’s custodian.
- Liberty Pension Services Limited shall be issuing each member period statement.
- Members receive periodic industry updates from Liberty Pension Services Limited.

Benefits of Liberty Personal Pension Scheme - The Employee Perspective

- Provision of regular income to replace earnings in retirement, or early retirement due to ill-health
- Provision of lump sum benefit income for surviving dependants in the event of death
- It is the one of the most secure form of savings

Tax Relief

- Income Tax relief on employee contributions
- Pension schemes do not pay income or capital gains tax on investment returns.
- Part of your retirement benefit may be paid as tax free cash sum
- You can transfer in your benefits from other schemes at no cost
- Enjoy un-matching expertise on investments management to optimise income on your savings
- Enjoy periodic updates on your savings and changes in regulations
- Obtain expert advice on your retirement planning

Benefits of Liberty Personal Pension Scheme - The Employer Perspective

- Achieve your social welfare objectives for your staff
- Employers with pension arrangements largely depict a caring image within the community
- Employee motivation and retention
- Enjoy tax relief on contributions

Why Start Now?

- Your benefits are likely to grow sizably due to compounding factor of interest
- Each time you postpone, you keep losing on the opportunity to save and enjoy income accrual
- It is never enough for you to save. Needs will never stop
- You have the best retirement solutions with Liberty Pension Services Limited

Liberty Personal Pension Scheme

Liberty Pension Services Limited
Your welfare ... our passion

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As part of the ongoing reforms by government to reduce the current wage bill, the government has decided to merge 38 parastatals. There have been ongoing talks between the government and the affected parastatals on the merger process.

Aside from the mandate given to each, there are other pertinent issues that arise from the merger of the State organizations and will majorly affect the employees of each state organization. Retirement benefits for state corporations will be among the crucial areas that need to be carefully managed during the merger process in light of the fact that pension schemes for each of the parastatals are deemed to be separate legal entities from the founding company.

It is of vital importance that trustees of the respective schemes together with the sponsor representatives are well informed on the implications of the said mergers.

The main issues expected to affect pension schemes and need to be addressed include:

- The implication of the merger on the Schemes structure
- Benefit Treatment Options
- Contractual Obligations to various parties involved
- Governance Structure
- Legal and Compliance
- Financial Risk Management
- Communication Process.
- Managing the merger process - Global trends (Case Studies)
- The Human resource implications on the merger.
- Restructuring Strategy

As trustees carry out their fiduciary mandate there are challenges and questions which have been raised on how to manage the change that has been brought about by this new development. It is against this background that we take this opportunity to invite you to a two day Training on the effects of the Merger on the existing pension plans and how to effectively manage these changes.

Attached herewith is the course programme and booking form containing all the details of the two day course. We have an excellent team in place that will guide you through this process and leave you not only informed but well able to face any challenges that may arise during and after the merger process.

We look forward to your favourable consideration of our proposal.