

KENYA



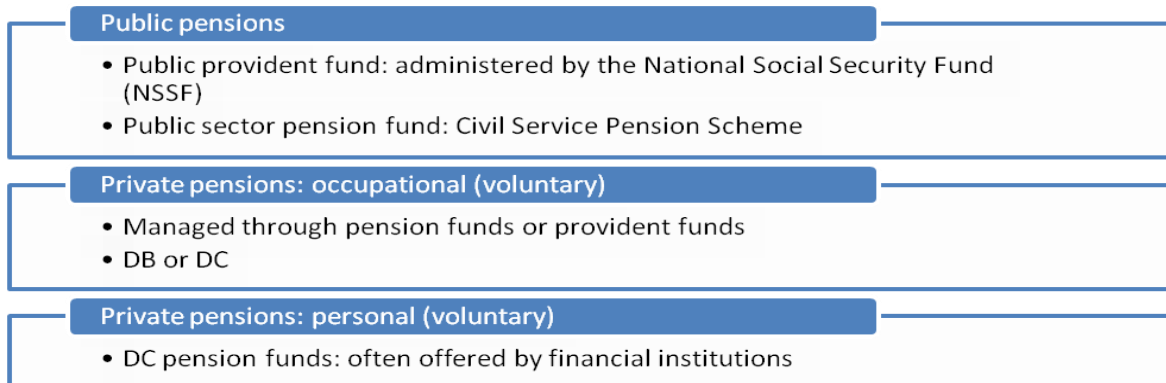
DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	2 113
GDP per capita (USD)	788
Population (000s)	38 765
Labour force (000s)	
Employment rate	
Population over 65 (%)	
Dependency ratio ¹	

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	85,880	107,266	133,373	155,755	187,385	243,327	ND	ND
Total investments, as a % of GDP	8.42	10.36	11.78	12.23	13.21	15.01	ND	ND
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	3.91	2.68	3.55	3.00	3.64	3.65	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	96.38	91.15	91.04	91.02	91.35	92.06	ND	ND
• Book reserves	NA	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	3.62	8.85	8.96	8.98	8.65	7.94	ND	ND
• Other financing vehicle	NA	NA	NA	NA	NA	NA	NA	NA
By pension plan type								
• Occupational assets	85,634	106,922	132,759	154,610	185,924	241,517	ND	ND
• % of DB assets	ND	ND	ND	ND	ND	ND	ND	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	ND	ND
• Personal assets	246	344	614	1,145	1,461	1,810	ND	ND
Structure of Assets (as a % of Total investments)								
Cash and Deposits	8.26	6.62	4.25	4.87	3.11	2.75	ND	ND
Fixed Income	31.34	36.90	33.52	34.22	33.13	30.91	ND	ND
Of which:								
• Bills and Bonds issued by the public and private sector	31.34	36.90	33.52	34.22	33.13	30.91	ND	ND
• Loans	NA	NA	NA	NA	NA	NA	ND	ND
Shares	10.25	9.53	19.77	24.27	30.82	38.15	ND	ND
Land and Buildings	38.66	32.04	27.14	24.64	20.65	16.49	ND	ND
Other Investments	11.49	14.91	15.32	12.00	12.29	11.70	ND	ND
Contributions and Benefits								
Total Contributions, as a % of GDP								
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
Total Benefits, as a % of GDP								
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership								
• % of Active membership	ND	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	423	779	870	930	998	995	ND	ND
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

KENYA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The NSSF is a public provident fund established under an Act of Parliament. It covers employed persons, traders, the self-employed and, since 2004, some workers in the informal sector. It is mandatory for all employers with at least 5 employees to enrol their members, but open to all other individuals mentioned above. Members of the scheme contribute 5% of monthly earnings up to a maximum of 200 shillings a month, which is the contribution rate for those earning more than KShs. 4,000. Employers pay 5% of payroll, with subject to a maximum of KShs. 400. Self-employed persons contribute 5% of their monthly earnings, with no minimum or maximum earning limits for contribution purposes. With effect from June 2007, members of NSSF can top up their savings at any point in time with any amount that is less than or equal to KShs. 1,000.

Old-age pension benefits are available to those aged 55 who have retired from insured employment. They are available at age 50 if the person is not in insured employment.

New and existing retirees can receive their benefits as a lump sum.

The Civil Service Pension Scheme covers all members of the Civil Service, and is established under an Act of Parliament as a PAYG system. It is currently non-contributory, although plans are underway to make it a contributory system.

OCCUPATIONAL VOLUNTARY

Overview

Pension plans can be administered through pension funds or provident funds, and through DB or DC arrangements.

Coverage

An employer or a group of employers may, on a voluntary basis, establish a complementary occupational pension plan for their employees. Most plans are established by one single employer. Membership to an occupational pension or provident plan is often compulsory for covered employees. Once an employee decides to become a member, however, withdrawal from membership while being employed by the same employer is not allowed. Employees who are within five years of the plan retirement age when they commence work with the employer or when a new plan is established are not eligible for membership in the case of DB plans.

Contributions

There are no legal rules for employee or employer contribution levels. A typical plan requires employees to contribute at a rate of 5% of salary and employers to contribute 10%.

Employees must be allowed to pay additional voluntary contributions to the plan without any limit (although contributions are only tax-deductible up to a limit).

Benefits

Plans can be Defined Benefit or Defined Contribution in nature. The age at which benefits become available is not regulated and must be laid down in plan rules.

Upon attainment of the retirement age, provident plans pay out a lump sum. Pension plans pay out benefits out as a monthly pension for the rest of the insured person's life. Up to one-third of total benefits can be commuted into a lump-sum payment if the plan is contributory (25% if non-contributory). The Board of Trustees is required to give the scheme member the opportunity to choose their annuity provider and preferred annuity.

Plan rules may provide for different benefit formulas for different categories of workers under certain circumstances.

Taxation

The total of employee and employer contributions is tax-deductible up to the limit of the lower of KShs 20,000 or 30% of salary. All investment income earned by tax-registered retirement benefits schemes is tax-free. Both lump sum payments and annuities enjoy more generous tax treatment, as long as the member retires on disability or age grounds, or has been a member of a retirement benefits scheme for at least 10 years.

Pensions are tax-free for pensioners receiving up to KShs 26,000 and have no other sources of income, or KShs15,000 if they have other sources of income. With effect from June 2007, pensions for individuals above the age of 65 are not taxable.

For non-tax-registered retirement benefits schemes, contributions and investment income are taxable at normal tax rates. However, no further tax is exercised on the savings after the member retires.

PERSONAL VOLUNTARY

14 individual, DC-type pension schemes exist, which cover less than 1% of the population. They are mostly offered by insurance companies and are available to anyone. They are attractive to those workers whose employers do not offer a pension plan and to the self-employed.

In May 2007, the Zimele Personal Pension Plan, a voluntary retirement savings arrangement for all public- and private-sector workers, was introduced. It will be managed by the private firm Zimele Asset Management Company. The plan operates on the basis of pooled funds. Contributions and investment income are exempt from tax. Amana Personal Pension Plan is the only other individual retirement benefits scheme that is similarly structured to the Zimele Personal Pension Plan.

MARKET INFORMATION

Occupational voluntary

Retirement benefits schemes are run by trustees. Half of the trustees are nominated by the members, and half are nominated by the employer. All trustees are required to engage the services of an assets manager for the management of their assets.

A reform in 2005 abolished the possibility for workers to withdraw all their assets before reaching the normal retirement age. Since then, workers can only withdraw their employer's portion of contributions if they have been members of the scheme for less than one year, and if the vesting rules allow them to make such a withdrawal. They can withdraw their own contributions before reaching the age of 55 if they are withdrawing from a retirement benefits scheme.

With effect from January 2008, they will also be allowed to assign their savings as mortgage security.

In 2007, there were around 1357 active occupational pension schemes, of which approximately 10% were DB schemes. The majority of schemes are pension schemes as opposed to provident funds.

POTENTIAL REFORM

Post-retirement poverty, low coverage, low contributions rates and the HIV/AIDS epidemic (which had reduced the life expectancy of Kenyans to below the normal retirement age) present challenges for the Kenyan pension system.

The introduction of a "zero" pillar has been proposed, providing universal minimum pension to the population over 65. The Civil Servants Pension Scheme, non-contributory, may be reformed to introduce employee contributions and a revision of the retirement age from 55 to 60. There have also been proposals to introduce a mandatory element into the voluntary occupational and individual schemes and to create a "fourth" pillar in the form of tax incentives for family support and the purchase of a home.

REFERENCE INFORMATION

KEY LEGISLATION

The Retirement Benefits Act of 1997 established the Retirement Benefits Authority for the regulation, supervision and promotion of privately managed retirement plans. The Act also regulates the registration and operation of occupational pension plans. The Act was supplemented by a series of Regulations in 2000 and has been amended on a number of occasions. The RBA plays an important role in educating pension trustees and the general public about the pension system. The RBA also supervises the NSSF and individual pension schemes.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Retirement Benefits Authority
www.rba.go.ke