



REPUBLIC OF KENYA  
THE NATIONAL TREASURY



MINISTRY OF PUBLIC SERVICE  
AND GENDER

# **PUBLIC SERVICE SUPERANNUATION SCHEME**

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**PRESENTATION TO TSC STAFF**

**DECEMBER, 2020**

# OUTLINE

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## ➤ INTRODUCTION:

- **Why pension systems**
- **TYPES OF PENSION SCHEMES**
- **CURRENT PENSION SCHEME**
- **PUBLIC SERVICE SUPERANNUATION SCHEME**

# WHY PENSION SYSTEMS

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- The purpose of a pension system is to provide social security in retirement and reduce old age poverty.
- It safeguards the dignity of pensioners
- Enables attraction and retention of employees

# TYPES OF PENSION SCHEMES

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## ➤ **Defined Benefit (DB)**

- Benefit is based on a pre-determined formula
- Rewards long service

## ➤ **Defined Contribution (DC)**

- Benefit is not pre-determined
- Benefit depends on contribution and investment return
- Accrued savings are portable

# CURRENT DEFINED BENEFIT PENSION SCHEME (COVERAGE)

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## The Services covered include;

- ✓ Civil Service
- ✓ Teachers' Service Commission (Teachers)
- ✓ Disciplined Services
- ✓ Judicial Service
- ✓ Ex-East African Community Parastatals (officers prev. in Central Govt.)

# BENEFITS OF THE CURRENT SCHEME

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- Commuted Pension gratuity/Death Gratuity
- Monthly Pension
- Dependant's Pension
- Injury Pension
- Killed on Duty Pension
- Marriage gratuity
- Widow's and Children's Pension

# LIMITATIONS UNDER THE CURRENT SCHEME

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- An officer who exits the service (resignation or dismissal) before attaining 50 years of age does not qualify for pension
- Benefits under the scheme are not portable
- The scheme does not allow benefits improvement (formula is standard)
- It is discriminatory to male officers who are not eligible for marriage gratuity and widowers

pension

# LIMITATIONS UNDER THE CURRENT SCHEME

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- Accrued benefits cannot be accessed for personal development while in service
- Discriminatory to female officers on account of additional condition for membership to WCPS



# PUBLIC SERVICE SUPERANNUATION SCHEME (DEFINED CONTRIBUTION)



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- Public Service Superannuation Scheme (PSSS) Act was enacted in 2012
  - The Act makes provision for a defined contribution pension scheme for employees in the Public Service
  - CS/NT gazetted 1<sup>st</sup> January, 2021 as the commencement date of the Scheme
  - The Scheme will be regulated by the Retirement Benefits Authority (RBA)

# PSSS - COVERAGE



PSSS covers the following;

- Civil Servants
- Teachers employed by the Teachers Service Commission
- Disciplined Service (National Police Service, Prison Service, and National Youth Service)
- Any other service that the CS determines to be public service for the purpose of the Act

# MEMBERSHIP TO THE SCHEME

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- Employees aged below 45 years as at 1/1/2021 serving on Permanent & Pensionable (P&P) terms
- New employees appointed on P & P terms on or after 1/1/2021
- Employees aged 45 years and above who opt to join the scheme by 31/03/2021
- Employees whose functions were transferred to County Governments and are currently covered under the Pensions Act CAP 189.



# RATES OF CONTRIBUTION

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- Employees - 7.5% of basic salary  
Phased in:
  - 1st Year : 2%
  - 2nd Year : 5%
  - 3rd Year : 7.5%
- Government - 15% of basic salary
- Employees will have an option to make additional voluntary contributions to the scheme
- NB - WCPS contributions (currently 2%) will cease for Employees who join/opt for new Scheme



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# BENEFITS PROVIDED BY THE SCHEME

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- A lump sum not exceeding one third of the balance in the savings account
- A monthly or quarterly annuity for life
- A monthly or quarterly withdrawal from the fund as calculated by an actuary
- Death - members scheme credit and insured benefit up to five times annual basic salary

# ADVANTAGES OF PSSS

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- Portability
- Access to Benefits before Retirement
- Regulation of the Scheme
- Tax relief
- Life insurance and disability

# ADVANTAGES OF PSSS

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- Terms of commutation
- Member involvement (AGM & Rep in BoT)
- Access to contributions to purchase a house
- Additional Voluntary Contributions

# INSTITUTIONAL FRAMEWORK

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- Board of Trustees (BoT): *Appointed as per section 10 of the Act*

## **Service Providers:**

- Administrator
- Fund manager
- Fund custodian
- Independent auditor



# COMPOSITION OF BOARD OF TRUSTEES

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- Chairman
- PS/NT or his representative
- PS/Public Service or his representative
- Secretary/CEO TSC or his representative
- Secretary/CEO PSC or his representative
- IG-NPS or his representative
- Nominee of KNUT
- Nominee of KUPPET
- Nominee of UKCS
- CEO for PSSS Board

# ROLE OF THE ADMINISTRATOR

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- Maintain an account for each member with a personal pension number
- Reconcile Accounts
- Compute Retirement Benefits to a member
- Cause to be paid retirement benefits to a member who has retired

# ROLE OF FUND MANAGER

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- Develop an investment strategy for the fund
- Invest and manage the scheme funds
- Maintain Books of accounts of all transactions relating to the fund
- Provide regular information on the investment strategy, market returns & other performance indicators to the Board

# ROLE OF CUSTODIAN

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- Receive Contributions remitted by Government
- Settle transactions on behalf of the Board
- Notify the administrator on contributions, administer fund including dividends and related activities
- Report to the Board regarding assets held on its behalf
- Provide to the Board and administrator data related to the fund

# TRANSITIONAL ARRANGEMENTS

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- Officers below 45 years will automatically join the scheme w.e.f 1/1/2021
- Employees aged 45 years and above may opt to join the scheme by completing the option form (PSSS 2) by 31/03/2021
- Employees serving on temporary terms and contributing to NSSF will be automatically converted to P&P terms and cease contributing to NSSF w.e f 1/1/2021. Upon conversion, they shall be processed in accordance to the two categories above



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# TRANSITION ARRANGEMENTS

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- Members of the PSSS shall complete beneficiary nomination form (PSSS 1)
  - Contributions to WCPS shall automatically cease upon joining the PSSS.
  - The Current Pension Scheme shall be closed to new entrants w.e.f 1/1/2021
  - Authorized Officers shall deduct and remit employees contributions to the fund by 10<sup>th</sup> day of subsequent month.

# TRANSITION ARRANGEMENT

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- Delay in remittance of the contributions will attract a penalty of 3% per compound interest per month of the amount due
- Employees joining the scheme shall be issued with a letter recognizing their accrued benefits under the current scheme. (*Payable through the fund upon retirement*)
- WCPS & NSSF contributions will cease immediately an employee joins the new scheme.

# TRANSITION ARRANGEMENTS .....

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- Employees on secondment who join the new scheme shall make contributions based on the salary scales of the seconding institution. Govt contribution of 15% shall be remitted by respective agencies to which they are seconded.
- The 31% pension contribution will automatically cease.



# IMPLEMENTATION STATUS

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- Commencement date has been gazetted
- Trustees have been appointed and inaugurated by the CS, National Treasury
- Inter-Agency Implementation committee is in place
- PSSS Handbook developed and circulated
- Circular issued by HOPS to all MDCAs
- Option, beneficiary, and additional voluntary contribution forms have been developed

# ROLE OF HEADS OF HRM&D

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- **Operationalize the implementation circular**
  - Effect correct deduction of contributions and remit to the fund
  - Ensure or eligible employees are contributing to scheme.
  - Educate staff on the provisions of the PSSS
  - Transit members who are on permanent but not pensionable to P&P
- Ensure accuracy of data of the staff joining the scheme

# ROLE OF REGIONAL LEADERS

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- Dissemination of information of PSSS to officers under them
- Assist in confirmation of accuracy of member data
- Verification and authentication of documents especially nominee forms
- Coordination of activities related to the scheme

# WAY FORWARD



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## Sensitization of the public service through:

- Virtual meetings
- Mass media engagement (electronic and print media)
- Social media engagement
- Engagement with MDAs Heads of HRM & D



# THE NATIONAL TREASURY



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