

## Britam Life Assurance Company (Kenya)



## CORPORATE PENSION PROPOSAL

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## COMPANY PROFILE

### Background

Britam is a diversified financial services group, listed on the Nairobi Securities Exchange. The group has interests across the Eastern and Southern Africa region, with offices in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi. The group offers a wide range of financial products and services in Insurance, Asset management, Banking and Property. The product range includes: life, health and general insurance, pensions, unit trusts, investment planning, wealth management, off-shore investments, retirement planning, discretionary portfolio management, Property development and private Equity.

Our story began in 1920, when British-American Company Limited was incorporated in Nassau, NP Bahamas. British- American Insurance Company (Kenya) Limited commenced operations in Kenya in 1965. The insurance company has evolved from a home service based company to its current status as a leading insurer providing all classes of insurance with the exception of aviation and industrial life assurance.

Britam is one of the leading providers of Guaranteed Funds in the Retirement Benefits sector. We are currently managing over 600 employer sponsored schemes with a total annual contribution of Kshs. 10 Billion as at 31st December 2021. Our Retirement Benefits Fund stands at Kshs. 45 Billion as at 31st December 2021.

### Ownership structure of British American Insurance Company

Britam Life Assurance Company (Kenya) Ltd is a wholly owned subsidiary of the Britam Group, which is listed on the Nairobi Securities Exchange. The Britam group prides itself in being one of the largest financial advisory groups in the region with stakes in Insurance, Asset Management, property and interests in the banking sector.



## GUARANTEED RETIREMENT SCHEMES

**Britam is currently running two types of guaranteed retirement schemes for corporate clients:**

- Occupational or Stand Alone Schemes
- Umbrella Retirement Schemes

### **a. Occupational /Stand Alone Retirement Scheme**

This is a scheme set up by a sponsor/employer for the benefit of the employees upon retirement or their dependents in the event of early death. The scheme is managed by a Board of Trustees. The trustees are the legal owners of the scheme and therefore are responsible for the overall management of the scheme. They are tasked with the following responsibilities among others:

1. Ensuring compliance with Kenya Revenue Authority and Retirement Benefits Authority regulations;
2. Keep all proper books and records of account of the income, expenditure and assets of the scheme and within a period of six months after the end of each financial year, ensure that accounts are prepared;
3. Ensure members receive their annual statements within the stipulated period;
4. Nominate service providers such as the Insurance Company, Scheme Administrator, fund manager and the scheme Auditor;
5. Maintain scheme records;
6. Ensure member benefit payments are paid on time.

### **The Role of Britam in a Stand Alone Scheme**

**BRITAM as the approved issuer and fund administrator will offer the following services:**

1. Ensure scheme compliance with RBA and KRA regulations in conjunction with the trustees;
2. Maintain proper member records;
3. Day to day scheme administration including coordinating all 3rd party service providers;
4. Ensure member benefits are paid on time as advised by the trustees;
5. Participate in trustee meetings, annual general meetings and member education forums;
6. Providing necessary reports to the trustees and the regulators;
7. Provision of general advice on the scheme management and legal or legislative requirements.
8. Prudent investment of retirement savings and cost effective management of the scheme in accordance with regulatory guidelines.

### **Cost Structure for Stand Alone Occupational Scheme**

- Administration fee: 1.5% of contributions received during the year. This is waived for the first calendar year.
- RBA levy: 0.2% of the fund as at 31st December is payable to the regulator
- Audit Fee: as per appointed auditor.
- Other expenses: AGM, Trustees training and remuneration etc.

## b. The Britam Umbrella Retirement Plan

The Umbrella plan provides a solution to organizations that find setting up a Retirement Fund and continuously complying with the complex legal and statutory demands a challenge in both monetary and human resource cost.

The plan also makes it possible to delegate the demanding role of trusteeship (with its legal and statutory liabilities) to a team of professionals at no additional cost while at the same time saving you the hassle of having to appoint new trustees whenever a trustee leaves.

It enables individuals to experience premium service from a leading insurance company in Kenya in terms of superior customer service and guaranteed investment income plus 100% protection of the accumulated value of retirement savings.

### Legal and Statutory Status of the Umbrella Retirement Fund

The Scheme is duly registered by Kenya Revenue Authority (KRA) and the Retirement Benefits Authority (RBA) as a Retirement Fund Solution for individuals or groups of individuals.

### Distinct Advantages & Features of the Umbrella Fund

- **It is Hassle Free to the Employer:** The scheme completely frees the employer from the hassles of establishing and overseeing the running of the scheme. It does this by providing an all-round package of the following services:
  - **Full Administration, Custodian and Investment Service which includes:** Installation and maintenance of member and beneficiary records, contribution and fund balance records, processing of withdrawal, death or retirement benefits, member education service, filing of ongoing compliance records to RBA and KRA, arranging for the members to attend an annual member's meeting, issuance of member fund statements and scheme statement to the employer, custody of retirement savings and prudent investment of the same including 100% guarantee of the accumulated value.
- **Immediate Access to Tax Relief Benefits:** Individuals who join the Fund gain immediate access to all the tax privileges of a registered retirement scheme which includes:
  - Tax deductible contributions up to Kshs.20, 000.00 (current limit) per month per member.
  - Tax relief on death, withdrawal and/or retirement benefits up to the applicable limit as of the date of payment.
  - Full tax exemption on the investment income.
  - **Tax Free Withdrawal Benefits:** Currently, a plan holder can cancel the policy and obtain a refund of the full accrued value net of any applicable withholding tax. The law allows a tax free withdrawal benefit equal to Kshs. 60,000.00 per year of membership, up to a maximum of Kshs. 600,000.00. In event of death the accumulated fund is payable as a lump sum to the nominated beneficiary.
- **Flexibility:** The customer is free to decide on the following:
  - The monthly contribution percentage by employer and employee. Employees are free to make Additional Voluntary Contributions.
  - Choice of fund: **A pension fund**, whereby a maximum of  $\frac{1}{3}$  of the accumulated amount is payable as a lumpsum and  $\frac{2}{3}$  in the form of regular periodic payments. **A provident fund**, whereby the entire amount is paid in a single lumpsum.
  - Normal retirement age.

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## PERFORMANCE OF THE GUARANTEED FUND

Our services include fund management with superior guaranteed Fund performance in terms of;

- **Minimum guaranteed interest rate of 5%**
- **Guarantee on Capital against reduction**

We constantly endeavor to achieve attractive investment income without compromising security of funds as provided for by the law.

Below is a history of declared interest rates for the last 10 years. Average return is 10.65%.

YEAR	DECLARED INTEREST
2021	10.00%
2020	6.00%
2019	10.00%
2018	6.00%
2017	10.00%
2016	8.50%
2015	8.00%
2014	16.00%
2013	16.00%
2012	16.00%
<b>Average Rate</b>	<b>10.65%</b>

### 4

## COST OPTIMIZATION FOR UMBRELLA PLAN

**Funds under the Guaranteed Fund equitably share the running costs thereby giving customers' competitive added value for money. The costs are:**

- No administration fee is charged on umbrella scheme. This is absorbed by Britam as the scheme sponsor.
- RBA levy: 0.2% of the fund as at 31st December is payable to the regulator
- No audit fee is charged on the umbrella scheme. This is absorbed by Britam as the scheme sponsor.

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## BENEFITS OF THE GUARANTEED FUND

- **Locked in member benefits:** Once a rate of return is declared, it is credited in the member/scheme fund as part of the capital, and therefore will not be negatively affected by future investment volatility;
  - **Compound interest:** Interest declared earns interest in future investment periods;
  - **Predictability:** the members of the scheme can easily predict the level funding of their future retirement benefits much more accurately and therefore, take appropriate steps to in good time to mitigate effects of lower than desired retirement benefits.
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## SERVICE STANDARDS

Our processes are fully automated by use of software known as Fund master. Interest is credited into the members' accounts on a daily basis from the date of receipt of contributions. Other addition services;

- Scheme Relationship Manager
  - Choice of Mode of Payment
  - Claim Settlement in 10 days
  - Annual General Meetings (AGM) & Member Education
  - Trustee Meetings – where applicable
  - Annual Member Statements
  - Pre-Retirement Training
  - Financial Planning Training
  - Pension Backed Mortgage
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## 7

## TRANSFERS IN

As professionals in the insurance industry, we are able to guide our clients if they are transferring funds from another provider to Britam. The law has provisions for the transfer and the terms are set on that basis depending on the kind of fund. We let the client leverage on our expertise to drive the process in a manner that is smooth and seamless.

6<sup>th</sup> Floor, Britam Centre,  
Junction of Mara & Ragati Roads,  
Upper Hill

P.O. Box 30375-00100 Nairobi, Kenya

**[www.britam.com](http://www.britam.com)**

Licensed and regulated by the Insurance Regulatory Authority  
and the Retirement Benefits Authority.

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