

THE NATIONAL SOCIAL SECURITY FUND ACT 2013

THE ROAD TO A HAPPY RETIREMENT STARTS NOW

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Introduction

Old NSSF

- ✓ NSSF was established in 1965
- ✓ Is a provident fund
- ✓ Contribution were at 10% (5% EE + 5% ER) of pensionable salary subject to a maximum of KES.200.00 Employee and KES 200.00 Employer

New NSSF

- ✓ NSSF Act 2013 enacted in December 2013
- ✓ Has pension fund (covers formal employment workers) & provident (covers members in informal sector)
- ✓ Contributions at 12% (6% EE + 6% ER) of pensionable earnings subject to a maximum of the Upper Earnings Limit
- ✓ NSSF Act 2013 Effective from the month of February 202;

Definition of Terms

- ✓ Pensionable Earnings: gross salary excluding fluctuating emoluments such as overtime
- ✓ Lower Earning Limit: amount gazetted by the Cabinet Secretary from time to time as the average minimum monthly basic wage
- ✓ Upper Earning Limit: earnings equal to four times National Average Earnings
- ✓ Tier 1 Contributions: contributions on Pensionable Earnings up to the Lower Earnings Limit
- ✓ Tier 2 Contributions: contributions on Pensionable Earnings above the Lower Earnings Limit but less than the Upper Earning Limit;
- ▼ Tier 3 Contributions: contributions above the Tier 1 and Tier 2 contributions.
- ✓ **Protected Rights:** the benefits under a contracted-out scheme which derive from Tier 2 Contributions.

Benefit Payments

Pension Fund

- ✓ Retirement Pension
- ✓ Survivor Pension
- ✓ Invalidity Pension
- ✓ Funeral Grant
- ✓ Emigration Benefit

Provident Fund

- ✓ Age benefit
- ✓ Survivor's benefit
- ✓ Invalidity benefit
- Emigration benefit



nplementation of Contributions Rates

Year	Lower Earnings Limit	Upper Earnings Limit			
	5 000				
1	6,000	50% of National Average Earnings			
2	7,000	1 times National Average Earnings			
2	0.000				
3	8,000	2 times National Average Earnings			
4	9,000	3 times National Average Earnings			
Year 5		4 times National Average Earnings			
onwards	Lower Earnings Limit as provided in				
	regulation 2(a) of this Schedule				



INDIVIDUAL 1-Salary Kshs.15,000

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	2023 2024 2025		2025	2026	
Lower Earning Limit (Kshs.)	6,000	7,000	8,000	9,000	
Upper Earning Limit (Kshs.)			72,000	108,000	
Tier 1 Salary	6,000	7,000 8,000		9,000	
Tier 2 Salary	9,000	8,000	7,000	8,000	
Total Salary	15,000	15,000	15,000	15,000	
Tier 1 Contribution	6% * 6,000 = 360	6% * 7,000 = 420	6% * 8,000 = 480	6%* 9,000 = 540	
Tier 2 Contribution	6% * (15,000- 6,000) = 540	6% * (15,000- 7,000) = 480	6% * (15,000- 8,000) = 420	6%*(15,000- 9,000) = 360	
Total Contribution	900	900	900	900	

INDIVIDUAL 2-Salary Kshs.75,000

	2023	2024	2025	2026	
Lower Earning Limit (Kshs.)	6,000	7,000	8,000	9,000	
Upper Earning Limit (Kshs.)	18,000	36,000	72,000	108,000	
Tier 1 Salary	6,000	7,000	8,000	9,000	
Tier 2 Salary	12,000	29,000	64,000	66,000	
Total Salary	18,000	36,000	72,000	75,000	
Tier 1 Contribution	6% * 6,000 = 360	6% * 7,000 = 420	6% * 8,000 = 480	6%* 9,000 = 540	
Tier 2 Contribution	6% * (18,000- 6,000) = 720	6% * (36,000- 7,000) = 1,740	6% * (72,000- 8,000) = 3,840	6%*(75,000- 9,000) = 3,960	
Total Contribution	1,080	2,160	4,320	4,500	

INDIVIDUAL 3-Salary Kshs.200,000

	2023	2024	2025	2026	
Lower Earning Limit (Kshs.)	6,000	7,000	8,000	9,000	
Upper Earning Limit (Kshs.)	18,000	36,000	72,000	108,000	
Tier 1 Salary	6,000 7,000 8,000		9,000		
Tier 2 Salary	12,000	29,000	64,000	99,000	
Total Salary	18,000	36,000	72,000	108,000	
Tier 1 6% * 6,000 = 6% * 7 Contribution 360 420		6% * 7,000 = 420	6% * 8,000 = 480	6%* 9,000 = 540	
Tier 2 Contribution	6% * (18,000- 6,000) = 720	6% * (36,000- 7,000) = 1,740	6% * (72,000- 8,000) = 3,840	6%*(108,000- 9,000) = 5,940	
Total Contribution	1,080	2,160	4,320	6,480	

Contracting out

CONTRACTING/OPTING-OUT

Members of schemes may, with the RBA's approval, contract-out of the NSSF in respect of Tier II Contributions provided:

- Their employer secures RBA approval for the employees
- The members join a contracted-out scheme approved by RBA
- The contracted out scheme will meet the following reference scheme test:
 - ➤ Be duly registered with Retirement Benefits Authority
 - ➤ Be duly registered with Kenya Revenue Authority
 - ➤ Comply with the investment guidelines of the Retirement Benefits Authority Act
 - ➤ Comply with any regulations as prescribed by the Retirement Benefits Authority Act

In order for the sponsor to opt out, an application will be made to RBA giving a 60 days notice.

RBA will respond to the application within 30 days and in the case of approval to opt out, the NSSF Board will be notified.

Steps for Employers to Contract Out

- ✓ Resolution by Board of Directors to contract out Tier 2 contributions
- ✓ Notify employees, Trustees, and Administrator of intention to contract out
- ✓ Complete Form C1 Submit Form C1 to RBA (at least 60 days before intended opt out date) (Sec 21 NSSF Act 2013)
- ✓ Once Approved by RBA, apply to NSSF to transfer Tier 2 contributions to the Scheme
- ✓ Contracting out to take effect from date specified in the Contracting Out Certificate issued by RBA



Key Requirements for Employer Application t Contract Out

- ✓ A completed Form C1;
- ✓ A list of employees and their NSSF registration numbers;
- ✓ Details of the Trustees and administrator of the scheme;
- ✓ A resolution by the employer's board for contracting out and the desired date of contracting-out;
- ✓ An undertaking by the employer that it will comply with the obligations concerning minimum payments;
- ✓ Trustee consent and undertaking to amend Scheme Rules
- ✓ Administrator Declaration (Scheme Reference Tests)



Requirements for the Scheme to Contract Ou

- ✓ Sponsor to provide a resolution for the Scheme to amend the TDR and receive Tier 2 contributions
- ✓ Trustees to prepare resolution to amend TDR and accepting the receipt of Tier 2 contributions
- ✓ Trustees to amend the Trust Deed and Rules
- ✓ Trustees to apply to RBA for Contracting out
- ✓ Administrator to provide a declaration that the Scheme meets the Scheme Reference Test
- ✓ Administrator to provide an undertaking that they will comply with the NSS Act 2013



Timeline of Events

ble Schedule	- OI			A 22	R 4	1-14 22	June Onurerd
Feb-23		Mar-23		Apr-23	ľ	lay-23	June Onwards
Compliance with - Law. Tier I & II tted to NSSF	>	Full Compliance with NSSF Law. Tier I & II remitted to NSSF	>	Full Compliance with NSSF Law. Tier I & II remitted to NSSF	>	Out Certi Contribut	Approval (Contracting ficate) From RBA te NSSF Tier II ions to Private Scheme
olidation of lired Documentation ontracting out e.g. tees' Consent & ertaking, Employer lution, Admin	>	Application to Contract out (Satisfying Reference Test & Submitting Form C1)	>	Waiting for approval from RBA	>	Tier II co	ions to Private Scheme intributions remitted to istered Scheme.
ertaking etc	>	Amendments to Scheme Rules					
							. – – . – . – . – .
		60 days			: Approvals		



Treatment of Protected Rights

- ✓ Tier 1 and Tier 2 contributions are Tax Deductible
- ✓ Investment income earned and withdrawals of Accumulated Protected Right are tax exempted
- ✓ Preservation of benefits until age 50 year (early retirement) to 60 years (normal retirement/pensionable age) with exceptions on emigration/ill-health /death;
- ✓ One third commutations right, two-thirds Annuity or Income Drawdown (Trivial Pension Provisions Applies)
- ✓ Non-resident persons employed for a period of less than three years. They may make voluntary contributions

