



VISION

To provide superior and sustainable benefits to members

MISSION

To provide timely adequate benefits to members and beneficiaries through prudent investment and professional service

CORE VALUES

Professionalism | Customer Focus | Integrity
Teamwork | Creativity & Innovation
Diversity

WELCOME



CONTENTS

Contents	Page
Vision	1
Mission	1
Terms you need to know	4
The Scheme at a glance	5
Membership	6
Contributions	6
Retirement Benefits	7
Leaving Service Benefits	11
Death Benefits	14
Tax Provisions	15
Additional Information	18
Notes	21



Introduction

The **KenGen STAFF RETIREMENT BENEFITS SCHEME** (the ‘Scheme’) provides valuable benefits for you and your family. This handbook is your guide to the benefits provided by the Scheme and is designed to explain the main provisions of the Scheme in a way which, it is hoped, is easy to understand.

The Scheme is established by the Kenya Electricity Generating Company Limited (‘the Employer’) to provide retirement benefits to eligible employees.

The Scheme is registered and approved under the Retirement Benefits Act 1997 and complies with all the provisions of this Act. The Scheme is also approved by the Kenya Revenue Authority as an exempt approved Scheme under the Income Tax Act (Cap 470).

The responsibility for managing the Scheme rests with the Scheme Trustees. The Scheme Trustees have the legal responsibility of protecting the interest of the members as well as other stakeholders and to ensure that the Scheme operates in accordance with the legislation and the Trust Deed and Rules. In carrying out their duties, the Trustees take advice from appointed professional advisors.

The assets of the Scheme are held separately from the Employer in a trust fund. Significant safeguards have been put in place to ensure that the assets of the Scheme are kept secure.

This handbook is not a legal document and does not cover every aspect of the Scheme. Full details of the Scheme are set out in the Scheme’s Trust Deed and Rules which may be inspected on request and which supersedes this handbook. You will find examples provided in this handbook that are for illustrative purposes only.

TERMS YOU NEED TO KNOW

Throughout this booklet, you will come across terms which require explanation and these are set out below. Please read them carefully.

Employer

The Kenya Electricity Generating Company Limited

Scheme

The KenGen Staff Retirement Benefits Scheme

Trustees

The Trustees are responsible for managing the Scheme. Their main responsibility is to ensure that the interests of all the Scheme members are protected at all times.

Beneficiaries

These are the people for whom you are legally responsible for looking after financially, e.g. your children, wife or husband, etc, but can also include other people who you voluntarily assist financially e.g. parents, brothers, sisters, etc. For purposes of receiving a pension, the Beneficiary is restricted to your children, wife or husband. You are required to provide details of your chosen beneficiaries by completing the Nomination of Beneficiary Form.

Closure Date

Means 31st day of December 2011, the date the Scheme was closed to new entrants.

Pensionable Emoluments

The basic yearly salary or wages as determined by the Employer excluding housing allowances, bonuses, commissions, and any other fluctuating emoluments received by the member.

Pensionable Emoluments at Closure Date

The basic yearly salary or wages as determined by the Employer excluding housing allowances, bonuses, commissions, and any other fluctuating emoluments received by the member in the last 12-months to Closure Date.

Final Pensionable Emoluments

This means the member's Pensionable Emoluments determined for purposes of computing benefits. This is determined as the lower of:

- (i) The average of Pensionable Emoluments in the last three (3) years prior to retirement or earlier exit; and
- (ii) Pensionable Emoluments at Closure Date increased at eight percent (8%) per annum from Closure Date to date of retirement or earlier exit.

Pensionable Service

The period of Continuous Service with the Employer between the date on which the member joined the Scheme and the Closure Date except for members aged 45 years and over who opted to remain as active contributing members for whom Pensionable Service will include service to retirement date or earlier exit. Pensionable Service will be determined in completed years and months.

Pensioner

A member who has attained the retirement age of 50 years and above, is no longer in the service of the Employer and is receiving a pension.

Deferred pensioner

A deferred pensioner is a member who left the service of the Employer before the retirement age of 50 years and retained a portion of his benefits in the Scheme which can be accessed on attainment of the retirement age in accordance with the legislation and Scheme Rules.

THE SCHEME AT A GLANCE

Background

The Scheme was established under irrevocable trust and commenced operations on 1 January 2000. It operates as a defined benefit pension scheme (the 'DB Scheme').

The National Treasury issued Treasury Circular No.18 of 2010 dated 24 November 2010 requiring changes to the public service retirement benefit arrangements. In line with this Treasury Circular, the Board of Directors of the Employer and the Trustees implemented the following changes to the DB Scheme:-

- (i) The Scheme was closed to new entrants with effect from 31 December 2011 (the 'Closure Date').
- (ii) A new defined contribution scheme, the KenGen Defined Contribution (DC) Scheme 2012 (the 'DC Scheme') was established effective 1 January 2012.

The changes were approved by the Treasury and the Retirement Benefit Authority. The booklet reflects the DB Scheme benefits following the amendments approved by the Employer, Trustees and the relevant statutory authorities.

- (iii) At the Closure Date, members of the DB Scheme who are below 45 years were required to join the DC Scheme for future accrual of benefits. Accrued (i.e. past service) benefits for these members were retained in the DB Scheme.
- (iv) At the Closure Date, members of the DB Scheme who were 45 years and above were given the option of remaining in the DB Scheme or joining the DC Scheme for future benefit accrual. Those who opted to remain in the DB Scheme are hereinafter referred to as 'Contributing Members'.
- (v) Benefits for existing pensioners in receipt of pension were retained in the DB Scheme on an unchanged basis.
- (vi) Benefits for deferred pensioners were also retained in the DB Scheme on an unchanged basis.

How does the Scheme work?

As a defined benefit scheme, the Scheme benefits are based on years of Pensionable Service and Final Pensionable Emoluments at date of retirement or leaving service.

The benefit under the Scheme is computed based on the following formula:-

$$2\% \times \text{Final Pensionable Emoluments} \times \text{Complete Years and Months of Pensionable Service}$$

MEMBERSHIP

Who can join?

The DB Scheme was closed to new members effective 31 December 2011. This means that it does not allow new members to join the DB Scheme after the Closure Date.

Is membership compulsory?

Yes but only for eligible employees who joined the Employer before 31 December 2011 and opted to remain a member of the DB Scheme.

After 31 December 2011, new employees are not allowed to join the DB Scheme. New employees effective 1 January 2012 are required to join the DC Scheme.

Am I also a member of the NSSF?

Your membership of the National Social Security Fund (NSSF) is in no way affected by being a member of the DB Scheme. You and the Employer will still be required to pay the statutory contributions to the NSSF, but you will be entitled to all the benefits provided under this Scheme.

CONTRIBUTIONS

The Contributing Member and Employer shall contribute to the DB Scheme. There are no contributions made in to the DB Scheme by or in respect of the members who joined the DC Scheme. Such members will make contributions in the DC Scheme.

How much do I contribute to the Scheme?

As a Contributing Member, you will be required to contribute at 10% of your Pensionable Emoluments. The contributions will be deducted from your salary in monthly installments and will be credited to your Member Account.

How much does the Employer contribute to the Scheme?

The Employer contributes to the Scheme in respect of each Contributing Member currently at 20% of their Pensionable Emoluments. In addition, the Employer may make additional contributions to meet the balance of the cost of the retirement and other benefits provided under the DB Scheme.

How do I obtain tax relief?

Your contributions are deducted from your salary before tax is calculated, which means that full tax relief is granted without the need to claim it. However, there are Income Tax limits on the extent to which tax relief is available on your contributions to the Scheme and you will be advised of these limits as they change from time to time.

Can I pay more for higher benefits?

Yes. These payments are known as Additional Voluntary Contributions (AVCs) and are a tax efficient way of providing extra retirement income due to the tax relief on pension contributions. You can start paying AVCs at any time that you wish.

There are however legislative restrictions on the maximum that you can pay as AVC which you will be advised if affected.

More information about AVCs is available from the Scheme Pension Office.

Vesting of Benefits

All benefits derived from contributions made by a member vests immediately in that member whereas benefits derived from contributions from the Employer vests fully to the member after a maximum of one (1) year of service with the Employer from the date of confirmation of his employment.

RETIREMENT BENEFITS

When can I retire?

The Normal Retirement Age for the Scheme is age 60. However, provided that the Employer agrees, you may retire at any time after the age of 50, or earlier if you are in ill health. Also, if the Employer agrees, you may continue working after your Normal Retirement Age.

What is my benefit at retirement?

At retirement, your benefit shall be in the form of a pension

paid by the DB Scheme. A pension, also known as annuity, is the term commonly used to describe the regular payments a person receives for life after retirement.

How much will my pension be at retirement?

On retirement, your pension will be calculated as follows;

An annual pension of 3% of Final Pensionable Emoluments for each year of Pensionable Service completed prior to 1 January 2000 and 2% of Final Pensionable Emoluments for each year of Pensionable Service completed after 1 January 2000.

It is important to note that prior to the separation of KenGen and Kenya Power & Lighting Company Limited ('KPLC') the members of staff of KenGen used to participate in the KPLC Staff Retirement Benefits Scheme (the 'KPLC Scheme'). The two Employers agreed to operate separate staff retirement benefit schemes and the KPLC Scheme's assets and accrued actuarial liabilities were apportioned between the KPLC Scheme and this Scheme as at 31 December 2000.

The pension for members who had Pensionable Service with the KPLC Scheme is determined as follows:-

$$3\% \times \text{Final pensionable salary (as defined above)} \times \text{Complete Years and Months of Pensionable services (from date joined scheme to 31 December 1999)}$$

We set out below examples of how this works:-

Illustration 1:

A Contributing Member leaves the service of the Employer on reaching the Normal Retirement Age of 60 years.

<i>Member bio-data and details of Pensionable Service</i>	
Name	: Ben Michael Juma
Gender	: Male
Date of Birth (DOB)	: 1 January 1962
Date of Employment	: 1 August 2000
Date of Joining Scheme	: 1 January 2001
Date of Closure (DOC)	: 31 December 2011
Date of Retirement (DOR)	: 31 December 2021
Age at DOR	: 60 years
Pensionable Service to DOR [1 January 2001 to 31 December 2021]	: 21 years
<i>Member's salary details</i>	
<ul style="list-style-type: none"> • The pensionable emoluments in the last 3 years to DOR is KShs.100,000 per month. • Annual salary at DOR is thus KShs.1,200,000 • The pensionable emoluments was KShs.60,0000 per month during the last 12 months to DOC • The pensionable emoluments at DOC is thus KShs.720,000 • Period from DOC to DOR is 10 years 	
1 year salary to DOR	: KShs.1,200,000
3 years average annual salary to DOR (A)	: KShs.1,200,000
1 year salary to DOC	: KShs.720,000
Revalued salary from DOC to DOR at 8% p.a (B)	

$[720,000 \times (1.08)^{10}]$:	KShs.1,554,425
Salary to use for computing benefits [The lower of A and B above]	:	KShs.1,200,000
<i>Benefit computation</i>		
Pension before commutation [2% x 1,200,000 x 21]	:	KShs.504,000 per annum OR KShs.42,000 per month
1/3rd commutation of pension	:	Cash lump sum of KShs.1,353,408
Residual pension (2/3rd)	:	KShs.336,000 per annum OR KShs.28,000 per month
Note:	<ul style="list-style-type: none"> • Actuarial factors are applicable in the above computation. • The figures are shown before tax • Illustrations on taxation are provided from page 20 	

Illustration 2:

A Member who was below 45 years and opted to joined the DC Scheme effective 1 January 2012. The member leaves the service of the Employer on reaching the Normal Retirement Age of 60 years.

<i>Member bio-data and details of Pensionable Service</i>	
Name	: George Collins Maiyo
Gender	: Male
Date of Birth (DOB)	: 1 January 1962
Date of Employment	: 1 August 2000

Date of Joining Scheme	:	1 January 2001
Date of Closure (DOC)	:	31 December 2011
Date of Retirement (DOR)	:	31 December 2021
Age at DOR	:	60 years
Pensionable Service to DOC		
[1 January 2001 to 31 December 2011]	:	11 years
Member's salary details		
<ul style="list-style-type: none"> The pensionable emoluments in the last 3 years to DOR is KShs.100,000 per month. Annual salary at DOR is thus KShs.1,200,000 The pensionable emoluments was KShs.60,0000 per month during the last 12 months to DOC The pensionable emoluments at DOC is thus KShs.720,000 Period from DOC to DOR is 10 years 		
1 year salary to DOR	:	KShs.1,200,000
3 years average annual salary to DOR (C)	:	KShs.1,200,000
1 year salary to DOC	:	KShs.720,000
Revalued salary from DOC to DOR at 8% p.a (D)	:	
[720,000 × (1.08) ¹⁰]	:	KShs.1,554,425
Salary to use for computing benefits		
[The lower of C and D above]	:	KShs.1,200,000
Benefit computation		
Pension before commutation		
[2% × 1,200,000 × 11]	:	KShs.264,000 per annum OR KShs.22,000 per month
1/3rd commutation of pension		
	:	Cash lump sum of KShs.708,928

Residual pension (2/3rd)	:	
	:	Residual pension of KShs.176,000 per annum OR
KShs.14,667 per month	:	
Note:		
<ul style="list-style-type: none"> Pensionable service and benefits after 2012 accrue under the DC Scheme Actuarial factors are applicable in the above computation. The figures are shown before tax Illustrations on taxation are provided from page 20 		

Illustration 3:

A Member joined KPLC on 1st September 1989 and was enrolled to the KPLC Scheme on 1st January 2000. He later transferred to join KenGen in the year 2000. He opted to remain in the DB Scheme and leaves the service of the Employer on reaching the Normal Retirement Age of 60 years.

Member bio-data and details of Pensionable Service		
Name	:	John Paul Kisu
Gender	:	Male
Date of Birth (DOB)		
	:	1 January 1962
Date of Employment		
	:	1 September 1989
Date of Joining Scheme		
	:	1 January 1990
Date of Closure (DOC)		
	:	31 December 2011
Date of Retirement (DOR)		
	:	31 December 2021
Age at DOR		
	:	60 years
Pensionable Service prior to 1 January 2000		
[1 January 1990 to 31 December 1999]	:	10 years
Pensionable Service after 1 January 2000		
[1 January 2000 to 31 December 2021]	:	22 years

Total Pensionable Service from 1 January 1990	:	32 years
<i>Member's salary details</i>		
<ul style="list-style-type: none"> The pensionable emoluments in the last 3 years to DOR is KShs.100,000 per month. Annual salary at DOR is thus KShs.1,200,000 The pensionable emoluments was KShs.60,0000 per month during the last 12 months to DOC The pensionable emoluments at DOC is thus KShs.720,000 Period from DOC to DOR is 10 years 		
1 year salary to DOR	:	KShs.1,200,000
3 years average annual salary to DOR (E)	:	KShs.1,200,000
1 year salary to DOC	:	KShs.720,000
Revalued salary from DOC to DOR at 8% p.a (F)	:	
$[720,000 \times (1.08)^{10}]$:	KShs.1,554,425
Salary to use for computing benefits		
[The lower of E and F above]	:	KShs.1,200,000
Benefit computation		
1. KPLC Service		
Pension before commutation	:	
$[3\% \times 1,200,000 \times 10]$:	KShs.360,000 per annum OR KShs.30,000 per month
1/3rd commutation of pension		
	:	Cash lump sum of KShs.1,800,000
Residual pension (2/3rd)		
	:	KShs.240,000 per annum OR KShs.20,000 per month
2. KenGen Service		

Pension before commutation	:	
$[2\% \times 1,200,000 \times 22]$:	KShs.528,000 per annum OR KShs.44,000 per month
Pension after 1/3rd commutation		
	:	Cash lump sum of KShs.1,417,856
Residual pension (2/3rd)		
	:	KShs.352,000 per annum OR KShs.29,333 per month
3. Total Service (KenGen & KPLC Service)		
Pension before commutation	:	
	:	KShs.888,000 per annum OR KShs.74,000 per month
Pension after 1/3rd commutation		
	:	Cash lump sum of KShs.3,217,856
Residual pension (2/3rd)		
	:	KShs.592,000 per annum OR KShs.49,333 per month
Note:		
<ul style="list-style-type: none"> Actuarial factors are applicable in the above computation. The figures are shown before tax Illustrations on taxation are provided from page 20 		

Can I take part of my benefit in the form of a cash lump sum?

You may take up to a maximum of one-third of your pension benefit as a cash lump sum at retirement. The current legislation restricts the amount that may be taken as a cash lump sum to no more than one-third of the cash equivalent of the pension if

you are a member who had made contributions to the Scheme. The balance of two-third must be taken as an annual pension.

What if I retire early?

You may, with your Employer's consent, retire with a pension from any age after reaching age 50, or earlier if you are in ill health. However, the legislation will not permit you to draw your pension while you are working for your Employer.

The benefits you will receive will be calculated using the formula, but shall be reduced to take account of early payment on a basis agreed by the Trustees on the advice of an Actuary.

Can I continue working beyond Normal Retirement Age?

If, your Employer agrees, you may continue working after the Normal Retirement Age.

On late retirement the benefit payable shall receive an enhanced pension based on the amount of pension you would have received had you retired at your Normal Retirement Date. The enhancement shall have regard to the period of time between the attainment of the Normal Retirement Age and -your actual date of retirement.

What if I retire early as a result of ill-health?

You may with the consent of the Employer retire early as a result of ill health.

On Ill-health Retirement the benefits payable will be calculated in the same way as Early Retirement but with no reduction for early payment.

Will my pension increase after retirement?

The Trustees shall review the level of pensions in payment and subject to the assent of the Employer may award that each pension be increased. The pension for the past service accrued under the KPLC Scheme (before 1 January 2000) is reviewed annually at the rate of 3%.

LEAVING SERVICE BENEFITS

Less than one (1) year of Pensionable Service?

If you leave the service of your Employer for any reason before Retirement Age and have served less than one (1) year of Pensionable Service, you will be entitled to receive your own contribution plus interest. The Employer's portion will be forfeited.

On leaving service, you will have the following options to access your benefits:-

- To retain your benefit in the DB Scheme until retirement age; or
- To transfer your benefit from the DB Scheme to another pension arrangement; or
- To take the benefit from the DB Scheme as a lump sum.

More than one (1) year of pensionable service?

If you leave the service of the Employer for any reason before Early Retirement Age of 50 years and have completed more

than one year (I) of Pensionable Service, you will be entitled to receive the accrued benefit determined as the higher of:-

- (i) The actuarial cash equivalent of your deferred pension. The deferred pension is calculated based on the formula shown under retirement; and
- (ii) Your own accumulated contributions together with a designated portion of the Employer's accumulated contributions plus interest.

We set out below examples of how this works:-

Illustration 4:

A Contributing Member leaves the service of the Employer on resignation before reaching the Normal Retirement Age of 60 years.

<i>Member bio-data and details of Pensionable Service</i>	
Name	: Melody Abscondita
Gender	: Female
Date of Birth (DOB)	: 1 January 1967
Date of Employment	: 1 July 2000
Date of Joining Scheme	: 1 January 2001
Date of Closure (DOC)	: 31 December 2011
Date of Exit (DOE)	: 31 December 2015
Age at DOE	: 49 years
Pensionable Service	
[from 1 January 2001 – 31 December 2015]	: 15 years

<i>Member's salary details</i>	
<ul style="list-style-type: none"> • The salary at DOR is K Shs.100,000 per month • The salary remains constant in the last 3 years to exit • Annual salary at DOR is KShs.1,200,000 • At DOC the salary was K Shs.60,0000 per month and the salary was constant over the one year to DOC • Annual salary at DOC is K Shs.720,000 • Period from DOC to DOE is 4 years 	
1 year salary to DOR	: KShs.1,200,000
3 years average annual salary to DOR (G)	: KShs.1,200,000
1 year salary to DOC	: KShs.720,000
Revalued salary from DOC to DOR at 8% p.a (H)	
[720,000 × (1.08) ⁴]	: KShs.979,552
Salary to use for computing benefits	
[The lower of G and H above]	: KShs.979,552
<i>Benefit computation</i>	
Actuarial cash equivalent of deferred pension (I)	: KShs.1,561,014
Own accumulated contributions	: KShs.750,000
Employer accumulated contributions	: KShs.1,500,000
Total accumulated contributions (J)	: KShs.2,250,000
Accrued benefit	
[The higher of I and J above]	: KShs.2,250,000
Benefit accessible before retirement age	
[50% of 2,250,000]	: KShs.1,125,000

Note:		
Actuarial assumptions are applicable to the above computation.		
The figures are shown before tax		

Illustration 5:

A Member who was below 45 years and opted to joined the DC Scheme effective 1 January 2012. The member leaves the service of the Employer on resignation before the Normal Retirement Age of 60 years.

Member bio-data and details of Pensionable Service		
Name	:	Mary Amani Naserian
Gender	:	Female
Date of Birth (DOB)	:	1 January 1967
Date of Employment	:	1 July 2000
Date of Joining Scheme	:	1 January 2001
Date of Closure (DOC)	:	31 December 2011
Date of Exit (DOE)	:	31 December 2015
Age at DOE	:	49 years
Pensionable Service		
[from 1 January 2001 – 31 December 2011]	:	11 years
Member's salary details		
<ul style="list-style-type: none"> The salary at DOR is K Shs.100,000 per month The salary remains constant in the last 3 years to exit Annual salary at DOR is KShs.1,200,000 At DOC the salary was K Shs.60,0000 per month and the salary was constant over the one year to DOC Annual salary at DOC is K Shs.720,000 		

1 year salary to DOR	:	KShs.1,200,000
3 years average annual salary to DOR (K)	:	KShs.1,200,000
1 year salary to DOC	:	KShs.720,000
Revalued salary from DOC to DOR at 8% p.a (L)		
[720,000 x (1.08)^4]	:	KShs.979,552
Salary to use for computing benefits		
[The lower of K and L above]	:	KShs.979,552
Benefit computation		
Actuarial cash equivalent of deferred pension (M)	:	KShs.1,144,744
Own accumulated contributions	:	KShs.450,000
Employer accumulated contributions	:	KShs.900,000
Total accumulated contributions (N)	:	KShs.1,350,000
Accrued benefit		
[The higher of M and N above]	:	KShs.1,350,000
Benefit accessible before retirement age		
[50% of 1,350,000]	:	KShs.675,000
Note:		
Actuarial assumptions are applicable to the above computation.		
The figures are shown before tax		

On leaving service, you will have one of the following options to access your benefits:-

- Take 50% of the accrued benefit as a lump sum. The balance of 50% would be retained in the DB Scheme or transferred to another pension arrangement, and payable at retirement age;

- To transfer your benefit from the DB Scheme to another pension arrangement; or
- To retain your benefit in the DB Scheme until retirement age.

If you have a deferred (or retained) benefit in the DB Scheme and have attained the age of fifty (50) years or more, you may request the Trustees to pay the retained benefit as a retirement benefit i.e. a maximum of one-third (1/3rd) of the benefit would be paid as a cash lump sum and balance of the benefit (2/3rd) will be paid as a regular pension. This pension would be reduced for early payment if paid before the Normal Retirement Age of 60 years.

What if I am emigrating?

If you are permanently emigrating from Kenya to another country with no present intention of returning you may access your entire benefit as a cash lump sum with the consent of the Scheme Trustees and approval of the Retirement Benefit Authority.

DEATH BENEFITS

What benefits are payable should I die before retirement?

If a member dies whilst in service before Normal Retirement Age, the following benefit is payable:-

1. A pension shall be payable if survived by a spouse and/or eligible children; and

2. For a Continuing Member, the beneficiaries will also receive the insured lump sum benefit equivalent to three times of their annual Pensionable Emoluments.

Benefits payable on death which are insured are subject to the terms and conditions that may be imposed by the Insurance Company from time to time.

- **Spouse Pension**

The spouse shall receive a pension equal to 50% of the annual pension which the member would have received had he retired. The spouse pension shall be payable until death or remarriage and shall be subject to any sharing in the case of multiple spouses.

- **Child's Pension**

In addition to the spouse's pension, there shall be a pension equal to 25% of the spouse's pension payable to each eligible child for a maximum of four children, payable through the spouse or in the absence of the spouse, the appointed guardian.

Who would receive these benefits?

You should complete the Nomination of Beneficiaries Form which asks for details of your chosen beneficiaries. A Nomination of Beneficiary Form is available from your Employer and Scheme Pension Office. This form, to be completed by you and returned to your Employer or Scheme Pension Office, serves as a guideline to the Trustees when making their decision on the distribution of the death benefits. It is important to keep your

nominations up to date. You should remember that the Trustees are independent of the Employer.

The Trustees will view all relevant circumstances when deciding on who receives your benefit, but they will take into account your wishes as recorded in your Nomination of Beneficiaries Form prior to making a resolution on the distribution of the death benefits.

What happens when I die after retirement?

If a member dies after retirement, the following benefit is payable:-

- A one-off lump sum benefit is payable if the member dies before the expiry of the guarantee period; and
- A pension shall be payable if survived by a spouse and/or eligible children.

Under the DB Scheme, the pension is guaranteed for five (5) years. This means that the pension payments are payable for life or 5 years, whichever is longer. If a pensioner dies before the five – year guaranteed period, a one-off lump sum is payable being the pension for the remaining guarantee period.

In addition, a pension shall be payable if you are survived by a spouse and/or eligible children in the same proportions as when you die before retirement.

TAX PROVISIONS

The DB Scheme is approved by the Commissioner of Income Tax under the Income Tax Act (Cap. 470) – ‘The Income Tax (Retirement Benefits) Rules 1994’.

Provisions applying to Scheme Contributions

Under the current Income Tax regulations, the monthly DB Scheme contributions which you pay (including any AVCs) are an allowable deduction from your gross taxable income up to a maximum of KShs 20,000 per month. This limit is periodically reviewed.

Provisions applying to Scheme Benefits

The various benefit payments made to you from the Scheme are tax exempt in the following manner:

i) Cash lump sum on leaving service and retirement

If you opt to access a cash lump sum either on leaving service or retirement, you will be entitled to a tax relief of KShs.60,000 for every full year of membership under the DB Scheme (maximum relief of KShs.600,000 for a maximum of 10 years). Any amount in excess of KShs.600,000 will be subject to tax.

For members below the age of 50 years and with less than 15 years of membership under the DB Scheme, the tax table applicable is as follows:-

Value of Lump Sum (Sliding Scale)	Rate of Tax
Ist KShs 121,968	10%
Next KShs 114,912	15%
Next KShs 114,912	20%
Next KShs 114,912	25%
Balance	30%

Illustration 6:

Ms. Mary Amani Naserian in Illustration 5 opted to access her benefit on resignation from the Employer.

For the cash lump sum, she qualifies for the above tax scale since she has not attained the age of 50 years neither has she accrued 15 years of service

The tax on the lump sum works out as follows:-

Tax relief & taxable amount	
Gross benefit payable	KShs.675,000
Tax relief p.a.	KShs.60,000
Tax relief for 11 years of service	
[Member enjoys the maximum relief as she has completed 10 years of service]	KShs.600,000
Taxable amount [675,000 – 600,000]	KShs.75,000
Tax computation & net (of tax) amount	

Value Of Lump Sum (Sliding Scale)	Tax
Ist KShs 121,968 @ 10%	KShs.7,500
Next KShs 114,912 @ 15%	-
Next KShs 114,912 @ 20%	-
Next KShs 114,912 @ 25%	-
Balance @ 30%	-
Total tax	KShs.7,500
Net benefit payable [75,00-7,500]	KShs.67,500

For those members above the age of 50 years and/or with 15 years of membership under the DB Scheme, the tax table applicable is as follows:-

Value of Lump Sum (Sliding Scale)	Rate of Tax
Ist KShs 400,000	10%
Next KShs 400,000	15%
Next KShs 400,000	20%
Next KShs 400,000	25%
Balance	30%

Illustration 7:

Mr. Ben Michael Juma in Illustration 1 opted to take a pension of K Shs.336,000 per annum and a one-off cash lump sum of KShs.1,353,408.

For the cash lump sum, he qualifies for the above tax scale since he is above the age of 50 years and has over 15 years of service

The tax on the lump sum works out as follows:-

Tax relief & taxable amount	
Gross benefit payable	KShs.675,000
Tax relief p.a.	KShs.60,000
Tax relief for 11 years of service	
[Member enjoys the maximum relief as she has completed 10 years of service]	KShs.600,000
Taxable amount [675,000 – 600,000]	KShs.75,000
<i>Tax computation & net (of tax) amount</i>	
<i>Value Of Lump Sum (Sliding Scale)</i>	<i>Tax</i>
1st KShs 121,968 @ 10%	KShs.7,500
Next KShs 114,912 @ 15%	-
Next KShs 114,912 @ 20%	-
Next KShs 114,912 @ 25%	-
Balance @ 30%	-
Total tax	KShs.7,500
Net benefit payable [75,00-7,500]	KShs.67,500

For those members above the age of 50 years and/or with 15 years of membership under the DB Scheme, the tax table applicable is as follows:-

Value Of Lump Sum (Sliding Scale)	Rate Of Tax
1st KShs 400,000	10%
Next KShs 400,000	15%
Next KShs 400,000	20%
Next KShs 400,000	25%
Balance	30%

Illustration 7:

Mr. Ben Michael Juma in Illustration 1 opted to take a pension of K Shs.336,000 per annum and a one-off cash lump sum of KShs.1,353,408.

For the cash lump sum, he qualifies for the above tax scale since he is above the age of 50 years and has over 15 years of service

The tax on the lump sum works out as follows:-

Tax relief & taxable amount	
Gross benefit payable	KShs.1,353,408
Tax relief p.a.	KShs.60,000
Tax relief for 21 years of service	
[Member enjoys the maximum relief as he has attained 10 years of service]	KShs.600,000
Taxable amount	KShs.753,408
<i>Tax computation & net (of tax) amount</i>	
<i>Value Of Lump Sum (Sliding Scale)</i>	<i>Tax</i>
1st KShs 400,000 @ 10%	KShs.40,000
Next KShs 400,000 @ 15%	KShs.53,011
Next KShs 400,000 @ 20%	-
Next KShs 400,000 @ 25%	-
Balance @ 30%	-
Total tax	KShs.93,011
Net benefit payable [753,408-93,011]	KShs.660,397

Persons who are 65 years and above are entirely exempted from tax on their cash lump sum.

ii) Pension payments

The first KShs.25,000 per month (or KShs.300,000 per annum) of pension received by a resident individual below 65 years is exempt from tax. The balance of pension in excess of KShs.25,000 per month (or KShs.300,000 per annum) will be taxed under the withholding tax rates.

The applicable tax table is as follows for pension amounts above KShs.25,000 per month (or KShs.300,000 per annum):-

Value of Pension	Withholding Tax
1st KShs 33,333	10%
Next KShs 33,333	15%
Next KShs 33,333	20%
Next KShs 33,333	25%
Balance	30%

Illustration 8:

Mr. Ben Michael Juma in Illustration I opted to take a pension of K Shs.336,000 per annum (KShs.28,000) and cash lump sum of KShs.1,353,408.

The tax on the monthly pension of KShs.28,000 works out as follows:-

<i>Tax relief & taxable amount</i>	
Gross benefit payable	KShs.28,000
Tax relief per month	KShs.25,000
Taxable amount	KShs.3,000
<i>Tax computation & net (of tax) amount</i>	
<u>Value Of Lump Sum (Sliding Scale)</u>	<u>Tax</u>
1st KShs 33,333 @ 10%	KShs.300
Next KShs 33,333 @ 15%	-
Next KShs 33,333 @ 20%	-
Next KShs 33,333 @ 25%	-
Balance @ 30%	-
Total tax	KShs.300
Net benefit payable [28,00-300]	KShs.27,700

Persons who are 65 years and above are entirely exempted from tax on their monthly pension.

ADDITIONAL INFORMATION

Management of the DB Scheme

A Board of Trustees, appointed by the Employer and nominated by the Scheme members, manage the Scheme. The Board of

Trustees consists of six (6) Employer appointed Trustees and three (3) member nominated Trustees.

The current Trustees are as follows:-

<i>Sponsor Appointed</i>	<i>Member Elected</i>
Mrs Ziporah Ndegwa - Chairperson	Mr. Ernest Nadome
Mr Albert Mugo	Mr. Peter Mutemi
Mrs Beatrice Soy	Mr Sospeter Mbogo
Mr George Muga	
Mr Henry Nyachae	
Mrs Rebecca Miano	
Mr. Moses Rono – Trust Secretary	

The Trustees have appointed the following service providers to assist in the management and administration of the Scheme:-

<i>Service</i>	<i>Service Provider</i>
Actuary	Alexander Forbes Financial Services (EA) Limited
Administrator	Alexander Forbes Financial Services (EA) Limited
Auditors	PricewaterhouseCoopers Certified Public Accountants (K)
Custodian	NIC Bank Limited
Investment Managers	Co-optrust Investment Services Limited
	British American Asset Managers Limited

Scheme Constitution

The provisions of the KenGen Staff Retirement Benefits Scheme are described in detail in the Trust Deed and Rules of the Scheme. The Scheme is run in strict accordance with the Trust Deed and Rules.

In a simple booklet such as this one, it is not possible to give full details of the Scheme in every situation. We have tried to make this guide as accurate and understandable as possible, but in the event of any discrepancy between the booklet and the Trust Deed and Rules, the Trust Deed and Rules will apply.

In the event of a dispute arising, the dispute resolution mechanism detailed in the Trust Deed and Rules of the Scheme shall apply. The Trust Deed and Rules may be inspected at your Scheme Pension Office.

Amending the Scheme’s Constitution

Whilst it is intended that the DB Scheme will continue indefinitely, the Trustees and the Employer have the right to alter any provisions of the Scheme subject to always protecting the accrued rights.

Communication

The DB Scheme’s year end is 31 December

- Each year you will receive a benefit statement setting out your membership details and an estimate of the pension that you might receive at Normal Retirement Age as at the end of the previous financial year to help you plan for your retirement.
- You are encouraged to attend the Annual General Meeting of the Scheme.

Annual Report

The Trustees will also produce an annual Trustees' Report and Accounts which will be audited by the Scheme Auditor. The Trustees' Report and Accounts will reflect the activities of the Scheme over the previous 12 months. The annual Trustees' Report and Account may be inspected at your Scheme Pension Office.

WHO TO CONTACT WITH QUERIES

If you have any queries regarding the Scheme benefits, please contact the Scheme Pension Office.

Trust Secretary

Parking Silo, 11th Floor

P.O. Box 1811 - 00606

Tel: 3666000, 3666932







