



# SOCIAL SECURITY IN KENYA

## INTRODUCTION

Social security refers to a group of initiatives, plans and regulations designed to provide households and people with protection, especially during difficult or vulnerable times. Kenya's social security system aims at ensuring that individuals have access to things that enhance their quality of life, well-being and ability to receive essential services and financial support. A multitude of social and economic challenges including retirement, healthcare, disability, unemployment and poverty alleviation are addressed through social security programs and projects..

There are different programmes and schemes that help in promoting social security in Kenya. This article will shed light on the different types of social security schemes providing retirement benefits in Kenya, how they operate, the type of benefits they offer, the regulator of the social security schemes, the functions they carry out and the different government initiatives in providing social security.

## NATIONAL SOCIAL SECURITY FUND (NSSF)

The National Social Security Fund (NSSF) is a social security scheme established through the NSSF Act. It is in charge of overseeing the investment of contributions received and payout of benefits payable for workers in the nation's formal and informal economy. Contribution towards the NSSF is mandatory to all employees in the formal sector while those in the informal sector can make voluntary contributions towards their retirement to NSSF.

## Contribution Amounts

For the employees in the formal sector, the NSSF Act mandates a monthly contribution equal to 12% of an employee's monthly salary. 6% of the contribution is deducted from the employee's earnings while the other 6% is paid by their employer.

The minimum amount required is Kshs. 200 per month for a voluntary member. Contributions may be paid directly to a designated Fund office, by mobile money or any other electronic transfer specified. A voluntary member is also allowed to make additional contributions and hence increase the retirement income.

### **How to Register as a Voluntary Member of NSSF**

One can become a member of NSSF by registering in their offices. One must be 18 years and above to qualify for registration and below 74 years.

### **Benefits Granted Under NSSF**

#### **(a.) Retirement Pension**

When a member attains the pensionable age (60 years old) or age 50 if they choose early retirement, they become eligible for retirement benefits. NSSF is defined contribution in nature, therefore the amount paid to a member is equal to the accumulated contributions they had made to the fund plus investment returns.

#### **(b.) Invalidity Pension**

These are benefits a member is eligible to if they sustain permanent physical or mental disability.

#### **(c.) Survivors' Benefit**

In case a member dies before attaining the normal retirement age, this benefit is paid to the surviving stated dependents or spouse.

#### **(d.) Funeral Grant**

On demise of a member who has made at least 6 consecutive monthly contributions to the scheme before their date of death, the fund pays to their next of kin a lump sum of 10,000 Kenya shillings to cater for their funeral expenses.

### **OCCUPATIONAL, UMBRELLA AND INDIVIDUAL PENSION FUNDS**

**Occupational Pension Plans** are established by employers to provide retirement benefits to their employees. Other members of the public cannot be part of these schemes.

**Umbrella Fund** is a pension fund which allows multiple related or unrelated employers to pool their funds. Umbrella funds allow small and medium-sized enterprises (SMEs) which cannot afford to establish their own pension schemes due to high administrative costs to provide retirement benefits to their employees.

**Individual Pension Plans** on the other hand are open to the members of the public. Any person can become a member therein whether they are in the formal or the informal workforce. Registration for membership can be done online in their official website and the amount to contribute is flexible, one can contribute whatever amount they wish to.

## RETIREMENT BENEFITS AUTHORITY (RBA)

The Retirement Benefits Authority is a government organization in charge of controlling and directing the nation's pension funds and retirement benefits programs.

### Roles of the retirement benefits authority to social security schemes

One of the roles of the RBA is licensing of service providers and new schemes. They receive applications and make sure that the applicant(s) have met the set standards stated in the retirement benefits act and therefore license them or revoke their application.

It is also the responsibility of the authority to make sure that retirement schemes are well managed and they are compliant with the law. When there is any change in the regulations governing the retirement benefits schemes, the authority makes the involved stakeholders aware of the changes through legal notices and the retirement benefits authority official website, where new updates and important information regarding the retirement sector is posted.

The Retirement Benefits Authority (RBA) has set standards for the maximum percentage of assets that pension plans may invest in various asset classes. These rules are intended to guarantee that pension funds are responsibly managed and to strike a balance between risk and potential return. These percentages are as follows;

ASSET CATEGORIES	RB MAXIMUM LIMITS
Government Securities	90%
Fixed & Time Deposits	30%
Corporate Bonds	20%
Quoted Equities	70%
Unquoted Equities	5%
Private Equity	10%
Cash & Cash Equivalents	5%
Property	30%
Real estate investment trust	30%
Offshore Investments	15%

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The authority also mandates pension schemes to carry out actuarial valuation. The frequency of the valuation depends on the type of scheme.

### Importance of actuarial valuation include;

**Assessing Funding Levels** - Actuarial valuation aids pension plans in assessing their funding levels, to ensure they have enough assets to cover their members' present and future benefits.

**Setting Contribution Rates** - Actuarial valuation assists in determining the proper contribution rates that employers, employees and other contributors must make in order to keep the plan financially sound.

**Making Investment Decisions** - By understanding the scheme's funding levels, trustees through the Fund Managers and the Actuary can make informed decisions about investment allocations, risk management and benefits adjustments.

## GOVERNMENT INITIATIVES AND PARTNERS IN PROVIDING SOCIAL SECURITY

The government has taken various measures aimed at providing social security to the needy and the vulnerable people in the society. These initiatives include:

- (a.) Free Primary Education** - In January 2003, the government abolished the payment of fees in primary schools. This was to give all children an equal chance to receive quality education irrespective of their financial background.
- (b.) Bursary Programmes** - Bursaries may be provided by the government at the constituency level or at the devolved units to orphans and vulnerable students at the secondary and tertiary levels. These bursaries aim to support their education and empower them for a better future.
- (c.) Affordable Housing** - The initiative focuses on providing decent and affordable housing for low and middle income households.
- (d.) Cash Transfers Programmes** - Kenya's cash transfer programs are aimed at poverty alleviation and improving the livelihoods of vulnerable and marginalised groups, such as the elderly, people with disabilities and orphans. They include; the Older Persons Cash Transfer (OPCT), the Cash Transfer for Persons with Severe Disabilities (PWSD), the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), the Older Persons Cash Transfer (OPCT) and Hunger Safety Net Programme (HSNP)

## CONCLUSION

Social security is a crucial sector in a country's economy. The funds and programs stated above offer a security net that guarantees financial stability throughout retirement, unexpected medical bills and other life obstacles. By taking part, you are proactively working towards achieving a future that is dignified, pleasant and worry-free. Additionally, they help in lowering inequality and developing a more fair society, your contributions are essential in building a stronger social fabric. Your dedication now not only gives you peace of mind for the future, but also advances our society as a whole. Social security begins with me and you.

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