THE OFFICIAL GUIDE TO THE NATIONAL SOCIAL SECURITY ACT NO. 45, 2013

NSSF GUIDE BOOK

FREE COPY

ISO 9001: 2008 CERTIFIED

NSSF
Growing You. For Good

MISSION:

To provide social security to members through enhanced coverage, efficient registration and collections, prudent fund management, competitive benefits and exemplary governance.

VISION:

To be a trusted centre of excellence in the provision of Social Security.

CORE VALUES:

1. Customer Focus
2. Integrity
3. Innovation
4. Accountability
5. Team work

What is Social Security?

Social security is securing one's future income security. The National Social Security Fund (NSSF) provides a platform for workers to make adequate contributions during their productive years to cater for their livelihoods in old age and the other consequences resulting there from such as death or invalidity among others.

Article 43(1)(e) of the Constitution of Kenya, provides that every Kenyan has a right to social security; and Article 21 of the Constitution commits the State to take whatever legislative, policy, and other measures as necessary, including the setting of standards to ensure effective and efficient provision of social security.

NSSF ACT No. 45, 2013

The NSSF Act No. 45 of 2013 was assented to law by the President of the Republic of Kenya on 24th December, 2013 and its implementation commenced on 10th January, 2014. The NSSF Act is anchored on Articles 43(1)(e) and 21 of the Constitution of Kenya, Vision 2030, National Social Protection Policy of 2013, EAC Common Market Protocol, and the 1952 Convention 102 of ILO.

How is the NSSF Act 2013 different from the previous Act (NSSF Act: Cap 258)?

The NSSF Act Cap 258 of 1965 now repealed, created a mandatory social Security Provident Fund for workers in Kenya. The Act only covered workers in the formal economy and made benefit payments in lump sum.

The NSSF Act No. 45 of 2013 establishes two funds: a pension fund and a provident fund. The pension fund is mandatory and will cover all workers in the formal economy. The provident fund is voluntary and it will cover the self-employed.

Under the NSSF Act No. 45, the pension fund will pay members monthly pensions; while the provident fund now replacing the old provident fund will make lump sum payments.

Other Key features of the NSSF Act No. 45 of 2013

- **Section 6**: Provides for the appointment of trustees.

- **Section 18 (1)**: Provides for establishment of both the Provident Fund and Pension Fund.

- **Section 18 (3)**: Members of the Provident Fund to migrate to Pension Fund subject to meeting the eligibility criteria for membership except voluntary members.

- **Section 19**: Every employer who, under a contract of service, employs one or more employees shall register with the Fund as a contributing employer and shall, register his/her employee or employees, as members of the Fund.

- **Section 19 (3)**: Self employed persons may join the Fund as Voluntary Contributors.

- **Section 20(1)**: The rates of contribution to the new Pension Fund will be at 12% of the pensionable earnings (gross earnings) split as follows:-

  i. Employer - 6%

  ii. Employee - 6%

  There will be gradual increment in the first five years of commencement of the New Act as per the third schedule. (See table in page 5).

- **Section 23**: The Self Employed Persons who are Members of the Provident Fund will pay Kshs. 200/= as the minimum amount of voluntary contribution to the Fund. The minimum aggregate contribution shall be Kshs. 4,800/= annually.

- **Section 50 (1)**: Provides for Fund expenses not to exceed 2% of the total Fund assets for the administration of the Fund. This will be reduced to 1.5% in the sixth year.

- **Section 51**: Provides for the publication of Fund accounts in at least two daily newspapers circulating throughout Kenya within one month following completion of the audited process. The publication of accounts will be in accordance with the International Accounting and Audit standards.

- **Section 63**: Provides for convening an AGM within six months of the end of the financial year of the Fund.

- **Section 64**: Provides for portability of benefits within the EAC, and bilateral arrangement with other countries and social security institutions.

- **Section 70**: binds the Government as an employer and commits it to ensure that all employees of the Government (National and County) are covered by NSSF.

WHAT HAPPENS AFTER THE FIVE YEAR PERIOD

The old fund will be closed.

THE BENEFITS OF THE PENSION FUND

THE PENSION FUND

BENEFITS	DESCRIPTION
Retirement Pension	Payable upon attainment of 60 years and retirement from gainful employment or opted for early retirement at age 50 years and above.
Survivor's Pension	Payable to the dependants upon the death of the member who had contributed for at least 36 monthly contributions immediately preceding the date of death. Those not meeting the stated requirements will be paid lump sum.
Invalidity Pension	Payable to a member who suffers physical or mental disability of a permanent, total incapacity as certified by a medical board and contributed for at least 36 monthly contributions immediately preceding the date of invalidity. Those not meeting the stated requirements will be paid lump sum.
Funeral Grant	Kshs.10,000.00 only payable to the dependants upon the death of the member who had contributed for at least 6 monthly contributions immediately preceding the date of death. Application must be submitted not later than 60 days from the date of death.
Emigration Benefit	Payable to a member emigrating from Kenya to a country which is not a member state of the East African Community, without any intention of returning to reside in Kenya.

THE BENEFITS OF THE NEW PROVIDENT FUND

NEW PROVIDENT FUND

BENEFITS	DESCRIPTION
Age Benefit	Payable to a member who retires upon attainment of 50 years and has retired from gainful employment.
Survivor's Benefit	Payable to the dependants upon the death of the member.
Invalidity Benefit	Payable to a member who suffers physical or mental disability of a permanent, total incapacity as certified by a medical board.
Emigration Benefit	Payable to a member emigrating from Kenya to a country which is not a member state of the East African Community, without any intention of returning to reside in Kenya.

OBLIGATIONS OF AN EMPLOYER UNDER THE NSSF ACT

Every employer who engages one or more employees is required to:

i. Promptly register with NSSF as a contributing employer.

ii. Ensure prompt registration of all employees, including daily paid workers, as members of NSSF.

iii. Promptly deduct and remit contributions in full by the 15th day of the following month. Late payments of mandatory contributions shall attract a penalty at the rate of 5% of the contributions for each month or part of the month that is remitted late.

iv. Promptly submit accurate monthly returns in the prescribed format by the 15th day of the following month.

v. Maintain proper and up-to-date records of employees' earnings and particulars.

An employer who fails to comply with the above commits an offence.

OBLIGATIONS OF AN EMPLOYEE

Every employee upon engagement is required to:

i. Furnish his/her employer with accurate personal details.

ii. Register as a member of the Fund (once).

iii. Where previously registered, produce his/her membership card/evidence of registration to a new employer.

iv. Furnish to the Fund and regularly update particulars concerning him/herself and dependants.

v. Keep membership card in safe custody.

PAYMENT OF CONTRIBUTIONS TO THE PENSION FUND

Out of the monthly pensionable earnings, an employer is required to pay to the Pension Fund:

- Employer's contributions at 6 per centum (6%).
- Employee's contributions at 6 per centum (6%) being deducted from the employee's earnings.

Contributions shall be categorized into Tier I and Tier II.

- Tier I contributions are in respect of Pensionable Earnings up to the Lower Earnings Limit and shall be credited into Tier I Account.
- Tier II contributions are in respect of Pensionable Earnings between the Lower Earnings Limit and the Upper Earnings Limit, and shall be credited into Tier II Account.

The Lower Earnings Limit and the Upper Earnings Limit shall, for the first four years after the commencement date, be in accordance with the table below:

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

After the fourth year and thereafter:-

- The Lower Earnings Limit shall be the amount gazetted by the Cabinet Secretary, Ministry of Labour, Social Security and Services annually as the average statutory minimum monthly basic wage for the year.
- The Upper Earnings Limit shall be the average wage earnings per employee as published by the Kenya National Bureau of Statistics in the Economic Survey for the prior year.

Contributions above the ceiling 12 per centum (12%) can be remitted to the Pension Fund as voluntary contributions.

MODE OF PAYMENTS

Employers are required to remit contributions through:

i. Cheques

ii. Bankers Cheques

iii. Real Time Gross Settlement (RTGS)

iv. Electronic Funds Transfers (EFT)

v. Cash-subject to a maximum of Ksh. 5,000.00

VOLUNTARY CONTRIBUTIONS

i. Voluntary contributions shall be remitted into the New Provident Fund.

ii. A voluntary contributor shall be required to make a minimum contribution of at least KShs. 200.00 per month.

iii. However, the voluntary contributor shall ensure that they make a minimum contribution of at least KShs. 4,800.00 in a year

iv. All contributions shall be made in cash (amounts less than Kshs. 5000) or through the NSSF M-PESA Business No. 333300.

MEMBER STATEMENT OF ACCOUNT

i. A member statement can be obtained free of charge at the nearest NSSF office or Huduma Centre.

ii. A member statement can also be obtained on-line at the following URL: http://sspas.nssfkenya.co.ke/launch.

INVESTMENT OF MEMBER CONTRIBUTIONS

- Members contributions are invested in compliance with Retirement Benefits Act investment guidelines and the Funds Investment Policy.
- To safe guard members' funds, NSSF has enlisted the services of independent custodians for safe keeping of assets and independent Fund managers to invest the funds prudently with the objective of maximizing members returns.
- The overall responsibility of the Board of Trustees and management is to ensure that members members' money is not only safe with NSSF, but grows the savings in real terms.

HOW TO APPLY FOR BENEFITS

- Application forms are free of charge.
- Application forms may be obtained from the nearest NSSF offices or Huduma Kenya Centers, or downloaded from the NSSF website.
- Submit completed application forms together with the required support documents in person to the nearest NSSF office or Huduma Centre.

FREQUENTLY ASKED QUESTIONS

QUESTIONS	ANSWERS
Are daily paid workers also affected by the new rates?	Yes - They are employed under a contract of service. The Act defines them as employees and they receive wages.
Are the new rates calculated on gross/ basic pay?	The new rates are calculated on pensionable earnings i.e. the lower of the member's monthly wages and the Upper Earnings Limit; Pensionable earnings include all emoluments payable to an employee including: over time, bonus, commission, commuting, and house allowance but excludes: uniform allowance, equipment allowance.
What happens if an organization has a private pension scheme?	Tier 1 Contributions are Mandatory to the NSSF while Tier II contributions can be paid to your private pension scheme upon an Employer making an application to contract out of NSSF and obtaining approval from the Retirement Benefits Authority.
How long will it take for NSSF to release the money for employers who contract out in Tier II?	Within sixty (60) days the Fund shall have transferred Tier Contributions to a scheme that the employer was approved by RBA to contract out to.
How do we as members hold you to account to ensure you comply with the 2% administration costs threshold?	Compliance to 2% administration cost is embedded in the New Law and failure to comply has consequences to the Board of Trustees and Management. Failure to comply will be breaking of the law – NSSF Act No. 45 of 2013 and violation of the Constitution.
What happens if a contributor dies without nominating the next of kin?	The NSSF Act No. 45 of 2013 and the regulations provide for the nuclear family to receive his/her pension contributions and interest therein. If there was no spouse, then the children, if no children, then the parents, if no parents, then the siblings.
Do we have a guaranteed interest on accounts?	Investments on members contributions shall be done according to RBA guidelines and the regulations that have been developed under the NSSF Act. This is a defined contribution fund and the principles will apply.
Is there an age limit to register as a member of the Fund?	No. One can be a member of NSSF as long as he is over 18 years. There is no upper age limit!
If I resign or leave the service of my employer before my retirement age, my pension scheme allows me to receive a portion of my benefits as a cash lump sum. Will my scheme qualify for approval?	No. The benefits arising from Tier II contributions must be retained in the scheme or transferred to the new NSSF or to another scheme approved to receive Tier II contributions.

CONTACTS P.O. Box 30599 - 00100, Nairobi, Kenya Social Security House; Bishop Road, Main Line: (+254-020) 2729911/ (+254-020) 2710552, Cell Phone: (+254) 0722-204192/ (+254) 0734-699926/ (+254) 0734-333238, ISDN: (+254-020) 2832000, Fax: (+254-020) 2727882/ (+254-020) 2722013/(+254-020) 2711615.

info@nssfkenya.co.ke Toll Free No: 0800 2212744 nssf_ke nssfkenya

www.nssf.or.ke