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TREASURY CIRCULAR NO. 9 / 2024

To: Principal Secretaries/Accounting Officers
The Controller of Budget
The Auditor-General
The Clerk, National Assembly / The Senate
The Chief Registrar, Judiciary
All Chief Executive Officers, Commissions/State Corporations
All County Secretaries, County Governments
All Clerks, County Assemblies

RE: REGISTRATION AND MANAGEMENT OF PUBLIC SERVICE RETIREMENT BENEFITS SCHEMES

On 24th November 2010, the National Treasury issued Treasury Circular No. 18/2010 to guide the registration and management of public service retirement benefits schemes and ensure equity in sharing the cost of funding scheme benefits between the employer and employees in the public sector.

While the Circular has served the intended purpose well, the emergence of new trends in the retirement benefits sector has necessitated a relook of the Circular to incorporate the emerging needs and address challenges as identified in the National Retirement Benefits Policy that was approved by the Cabinet on 13th November 2023. The policy provides a framework to guide the coordination, good governance, development and growth of the retirement benefits sector to ensure old age income security for all workers.

Considering the new developments, Treasury Circular No. 18/2010 is hereby replaced with this Circular. The Circular should be read in conjunction with the Retirement Benefits Act, Regulations, and Guidelines.

The Circular guides the registration and management of public service retirement benefits schemes as follows:

1. **Establishment of Public Service Retirement Benefits Schemes**
   a) Any new scheme established by public sector institutions shall seek clearance from the Secretary/Director of Pensions, National Treasury before registration by the Retirement Benefits Authority.
   b) All retirement benefits schemes seeking registration will be Defined Contribution (DC) schemes.

2. **Defined Benefit (DB) Schemes**
   a) All DB schemes shall maintain the minimum statutory 100% funding level stipulated under the Retirement Benefits Act and Regulations.
   b) All DB schemes must make provision for funding of any scheme deficit.
   c) All closed DB schemes shall remain operational until payment of the last beneficiary.

3. **Eligible Employees:**
   a) All employees will be eligible to join a scheme if they are appointed on permanent and pensionable terms of service and are over eighteen (18) years.
   b) Employees on fixed contract terms of service can voluntarily join and contribute to retirement benefits schemes set up by their employers.
   c) Employers may remit monthly accrued gratuities to retirement benefits schemes on behalf of their employees. These benefits shall be payable in accordance with the scheme rules and upon expiry of the contract term.
   d) An employee shall be eligible for either a pension or a gratuity but not both benefits.
   e) Schemes shall make the necessary amendments to their rules to accommodate employees on fixed-term contracts.

4. **Pensionable emoluments (PE): -** The pensionable emoluments (PE), is the salary used to determine pension, as determined by the employer.

5. **Rates of Contribution:**
   The following rates will apply to all DC schemes:-
   a) The employer contribution rate shall not exceed two (2) times the employee's contribution rate or 20% of the PE whichever is lower.

b) The employee contribution rate shall not be less than 6% of the PE.

Illustration

Employee contribution	Employer contribution
6%	12%
7.50%	15%
10%	20%

6. **Death in Service Benefit:** This benefit will be provided through an insurance policy purchased from a registered insurance company and shall be a minimum of three (3) times the member's annual PE.

7. **Disability Benefit:** This benefit will be provided through an insurance policy purchased from a registered insurance company. It shall be a minimum of three (3) times the member's annual PE.

8. **Retirement Age:** The Normal Retirement Age shall be 60 years, or such age as may be stipulated from time to time in the relevant statutes. Early retirement age shall not be less than 50 years.

9. **Commutation of pension:** A pension scheme shall allow partial commutation of benefits at retirement, i.e. conversion of part of the pension into a lump sum benefit. The amount of pension commuted will not exceed 1/3rd of total accrued benefits as provided in the Retirement Benefits Act and Regulations.

10. **Pension Increase:** - The pension increase rate for DB schemes shall be a minimum of 3% per annum, but subject to the scheme's funding level.

11. **Scheme Expenses: -**
    a) All scheme expenses shall be met out of the scheme fund.
    b) The employer shall meet the costs of setting up a new scheme.

12. **Post-retirement Medical Fund:-**
    a) All schemes shall make provisions in the scheme rules to allow its members to contribute towards funding a post-retirement medical fund.
    b) An employee, employer or both may make contributions to a post-retirement medical fund in accordance with the post-retirement medical fund rules

13. **Conversion of Provident Funds to Pension Schemes:-** All existing public service provident funds shall be required to convert to pension schemes within five (5) years from the date of this Circular.

The Retirement Benefits Authority and the Secretary/Director of Pensions are responsible for ensuring adherence to this Circular with effect from the date of this Circular.

DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY/NATIONAL TREASURY

cc **Chief Executive Officer,**
Retirement Benefits Authority

Secretary / Director of Pensions