

The National Social Security Fund Act 2013 Overview

The National Social Security Fund (NSSF) Act 2013 was enacted on 24th December 2013. The implementation of the enhanced contributions is effective immediately.



Rate Of Contributions

- The Act prescribes a 12% of pensionable income as the rate of contribution on a graduated scale referred to as Tiers 1 and 2.
- Tier 1 contributions must be remitted to NSSF whereas Tier 2 contributions may be remitted to NSSF or to a private pension scheme approved by the Retirement Benefits Authority. The maximum monthly Employee + Employer Tier 1 contribution is KES 1,080 and KES 11,880 for Tier 2 for the year 2025. This is set to change in subsequent years based on Average National Income statistics.

Contracting Out

- The Act allows employers the option of paying out their Tier 2 contributions to a private pension scheme through a contracting out process. As an employer, you will need to consider the following:
 1. Join the Britam Umbrella Pension Fund.
 2. Apply for approval by the Retirement Benefits Authority via a simple form, Form C1.
 3. Once approved to contract out, you shall then apply to have your tier 2 contributions already remitted to NSSF to be paid back to scheme.

Benefits of Contracting with Britam

1. Guaranteed Growth

Minimum guaranteed rate of return of 5%. Year 2024 declared rate of 13%.

2. Affordability

Britam does not charge any administration or management expenses.

3. Transparency in our Investment Strategy

We uphold transparency across our investment strategy, ensuring every decision aligns with regulatory standards and ethical practices.

4. Prompt Benefit Settlement

We ensure prompt settlement of pension benefits and ease of transfer to post retirement plans and products within 5 working days.

5. Dedicated Relationship Manager

A Relationship Manager is assigned to your account to provide ongoing personalized support, follows through with free member education and constant industry updates.

6. Service Standards and Self-Service Portal

We adhere to a high level of service standards which includes access to My Britam Self-Service Portal where the Employee and employer can conveniently monitor the growth of their fund.

7. Professional Management of Funds

Britam's fund is run by a highly skilled, qualified and experienced team who handle the day-to-day administration and investment of funds.

8. Diversification of Risks

Spreading of risk between the public and private sectors will ensure that our members get the best of both options as they exercise their right to make an informed choice on where to invest their retirement benefits.

1.What is the NSSF Act of 2013?

The National Social Security Fund (NSSF) Act 2013 was introduced on 24th December 2013. However, this was not fully implemented as the High Court suspended a number of provisions including Section 20 touching on contributions to NSSF.

Subsequently, this position was appealed and, in its judgement dated 3rd February 2023, the Court of Appeal set aside the judgement of the Employment and Labor Relations Court delivered on 19th September 2022 in its entirety. Therefore, this means that the NSSF Act 2013 is now constitutional, and the State can proceed to enforce this Act which repeals the previous NSSF Act of 1965.

2.What is the impact of this Act?

Both employers and employees will be required to increase contributions from KES 200 per month to 6% of pensionable salary (subject to certain salary maximums). The Act prescribes contributions to NSSF to be on a graduated scale referred to as Tiers.

3.What are these tiers and how is the calculation done?

- **Tier 1 Contributions**

Tier 1 contributions are calculated as 6% of an employee’s pensionable income up to a maximum referred to as the Lower Earnings Limit (L.E.L). This is currently capped at KES 9,000 per month. The maximum contribution for Tier 1 is thus KES 540 per month. This is applied both for the employer and employee contributions summing up to KES 1,080 per month.

- **Tier 2 Contributions**

Tier 2 contributions are based on 6% of an employee's pensionable earnings currently capped at KES 108,000 per month for the year 2026. The maximum Tier 2 contributions are therefore KES 5,940 per month, being calculated as 6% of KES 99,000 (i.e. Upper Earnings Limit (U.E.L) of KES 108,000 minus Lower Earnings Limit (L.E.L) of KES 9,000 for both the employer and employee summing up to KES 11,880 per month for Tier 2.

See sample calculation below:

	Feb 2026 – Jan 2027		
Salary Sample (KES)	Tier I (KES)	Tier II (KES)	Total NSSF(KES)
36,000.00	540.00	1,620.00	2,160.00
72,000.00	540.00	3,780.00	4,320.00
108,000.00	540.00	5,940.00	6,480.00

4. What happens to my benefits already with NSSF prior to the implementation of the Act?

Any benefits under the old NSSF Act will remain as is and will be accessed at the retirement age of 60. They will be paid as a cash lump sum under the Provident arrangement as per the old NSSF scheme.

5. How has the employer been impacted?

As an employer, you will be required to review and revise your payroll structure and systems to align with the provisions of the Act. The employer will need to check if there is a need to review the current pension contribution rates to align with the minimum rates of 6% for both employer and employee contributions.

6. Will the total contributions be submitted to the NSSF?

Only Tier 1 contributions must be remitted to NSSF. Tier 2 and any other amounts above that can be submitted to a private scheme through the Contracting Out process. Where a private scheme is not in place, both Tier 1 and Tier 2 contributions must be remitted to NSSF.

7. What happens to an employee when they change jobs?

The employee can choose to transfer the funds to their new employer (who has to be authorized to receive Tier 2 contributions), or to their own Personal Pension Plan.

8. Is Britam a stable company to contract out with?

Britam is a leading provider in the retirement benefits space. We guarantee you seamless service, competitive returns and expert management of your retirement benefits.

9. How is the employee impacted with this new Act?

As an employee, your NSSF contributions will keep increasing on an annual basis with the employer matching a similar amount.

10. What flexibility do I get within this arrangement?

You are able to diversify your retirement fund and have the option of contracting out to Britam.