KENYA POWER
PENSION FUND

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INCOME DRAWDOWN FAQs

1. **What is Income Drawdown?**
   This is an arrangement that allows a member at retirement to draw his/her benefits into regular installments while the balance remains invested. The maximum drawdown rate is 12% per annum.

2. **Why did KPPF establish IDD?**
   IDD was introduced to address concerns raised by retiring members who did not consider purchase of annuities from an insurance company a favourable option.
   - Some of the concerns raised included:
   - Lack or limited information about the annuity provider compared to KPPF.
   - Fear of exploitation or manipulation by the intermediaries engaged by the annuity provider.
   - Poor service delivery characterized by long turn around timelines, bureacratic processes and ineffectice communication channels.
   - A third party who they did not have prior contact with. Once the purchase price is transferred to the insurance companies, members felt exposed since they have to deal with a third party who has no previous history or attachment to them.

3. **Can a member have a combination of IDD and Annuity?**
   Yes. A member can use part of their retirement benefit to purchase an annuity from an insurance company of their choice and transfer the balance to an Income Drawdown Fund.

4. **Can a member transfer their defined benefits (DB) into Income Drawdown Fund?**
   Yes. A member can transfer their Defined Benefits (DB) lumpsum to Income Drawdown Fund.

5. **Why choose to join KPPF IDD?**
   - Member's benefits will be retained and paid from Kenya Power Pension Fund (KPPF).
   - As a member makes draw downs, the balance of his committed funds continues to earn an income from investments undertaken by the Fund.
   - Members can increase or decrease their drawdown amounts depending on their financial requirements.
   - Members can use monthly drawdown for medical insurance recoveries.
   - In the event of death, the member's beneficiaries are allowed to inherit the remainder of the benefits.
   - Upon retirement, a member's drawdown income is exempt from taxation.
   - The Fund's Trust Deed & Rules allows for a member to access their benefits as a lumpsum on expiry of the 10 years minimum period.
   - The Fund does provide timely communication and reporting to the members through various channels, platforms and forums.

6. **Is the member allowed to access the interest earned within the year?**
   The declared return on investment earned is normally ploughed back to the member's account as he continiues to draw down.

7. **What happens in case of Death of the member?**
   The beneficiaries to the deceased have the following options.
   - The member's beneficiaries can access the remaining balance as a lumpsum.
   - The beneficiaries can purchase an annuity with the balance.
   - The beneficiaries can continue with the members drawdown arrangement

8. **What happens after the 10-year IDD minimum period elapses?**
   The member has the following options to choose from.
   - To continue with the income drawdown arrangement.
   - To access the balance of his account as cash lump sum.
   - Utilize the available for purchase of an annuity from an insurance company of his/her choice.

FOR MORE INFORMATION, PLEASE REACH US ON;

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