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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR THREE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 322**

**COURSE TITLE: PENSION MANAGEMENT**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 05/04/2021 TIME: 09.00-11.00 AM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of THREE (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

In 1997 KCB funded the first big corporate retirement plan, but it was much later that the large-scale pension fund business saw the day. Between this first step of the late 1997 and in the last four decades of the twenty first century came the government-sponsored national pension-and-health plans, of which the Kenyan Social Security of 1968 is one of the first holistic examples.

Whether private or public, pension plans are a social safety net and their financing takes one of two forms:

• *Pay-as-you-go*, typically the national pension plan’s solution, and

• *Reserves*, with the money pouring into the pension plan’s coffers used for investments. Because of their function as savings vehicles for old age, pension funds (as well as life insurance companies) should primarily invest in the safer financial assets of a longer-term nature, with bonds given preference over stocks because equities have higher volatility. This choice, however, is not the general case. According to Kenyan Central Bank (kCB) statistics, at the end

of 2002,

• Holdings of debt securities constituted 38 percent, and

• quoted shares constituted 35 percent of total financial assets of insurance firms and pension funds in euroland.Although the overall share of securities in the total assets of euroland’spension funds and insurance firms remained largely unchanged at around 70 percent to 75 percent over the past five years, significant changes have occurred with respect to the importance of quoted shares relative to debt securities. Based on statistics from the Kenyan Central Bank.

1. Explain four objectives of NSSF in management of pensions (6marks)
2. Define the term “Trustee” as used in pension management and describe FIVE functions of trustees (6marks)
3. Explain three reasons why it is important to train employees on pension guidelines and policies (5marks)
4. Describe situations which might lead to disqualification of pensioner entitlement on pension funds. (3marks)
5. Explain Characteristics of a social security program (6marks)
6. Discuss pros and cons of early retirement in pension law (4marks)

**QUESTION TWO**

1. Describe four pension plans in Kenya (4marks)
2. Discuss significant benefits and services available to employees (12mark)
3. Explain accident **Arising** out of his employment and in the course of hisemploymentin worker’s injury compensation act (4marks)

**QUESTION THREE**

1. Describe the components of employment injury benefits (WIBA act (6marks)
2. Explain what is adefined benefit plan and defined contribution plan (4marks)
3. Explain the differences between provident fund and pension fund (4marks)
4. Highlight challenges faced by national social security in safeguarding pension funds (6marks)

 **QUESTION FOUR**

1. Describe the meaning of “Trust Deed” and discuss SIX contents of Trust Deed. (6marks)
2. List and explain any FIVE methods of funding retirement benefit schemes in Kenya. (5marks)
3. Discuss the management and functions of National Social Security Fund (NSSF) in (Kenya. (9marks)

**QUESTION FIVE**

Juma worked in public sector for a duration of twenty years’ continuous service, in the course of his tenure he was given cumulative two years of leaves (sick, study, annual leaves, paternity leaves) based on above calculate the following

Details of last pays lip

1. basic salary 41280
2. house allowance 3900
3. commuter allowance 4300
4. pension was taxed at rate of 24% while gratuity tax was 27.5%

Based on above information calculate the following information

1. monthly pension (2marks)
2. monthly tax (2marks)
3. cumulative days worked inclusive of holidays and leaves (3marks)
4. actual number of days worked (3marks)
5. actual months worked (3marks)
6. gratuity before tax (3marks)
7. gratuity after tax (2marks)
8. actual gratuity tax (2marks)