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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: 25/08/2021 TIME: 3.00-5.00 PM**

**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 (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

*CASE STUDY*

The domestic savings rate in Kenya has been on a declining trend since the last two decades. Considering the potential undesirable macroeconomic implications of this decline in the savings rate the policy debate focuses on providing incentives to increase savings. The private pension system that was initiated in 2005in Kenya included increasing employment by generating long term resources to the economy and contributing to economic development among its manifold aims. The individual private pension system that is designed as a voluntary based third pillar pension scheme initially envisaged an incentive in the form of tax deduction. The system has undergone several reforms since then yet the question on the contribution of private pensions to national domestic savings still demands an extensive empirical investigation. Whether the increase in private pension funds represent primarily new savings is crucial in assessment of policy design. Because if contribution to an individual retirement account merely represents already inherent propensity to save incentives would denote a source of income transfer from taxpayers to savers.

1. Account for the slow growth rate of domestic saving in Kenya (6marks)
2. Explain the reasons that may lead to an employer establishing a staff retirement
benefits scheme for the employees. (10 marks)
3. 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)

**QUESTION TWO**

1. Write short notes on the following terms in relation to pension management
2. Pension Transfer (3marks)
3. Pension switch (3marks)
4. Pension conversion (3marks)
5. Discuss importance of savings for retirement when one is on an active employment (11marks)

**QUESTION THREE**

1. Describe the components of employment injury benefits in compensation management

 (6marks)

1. Highlight challenges faced by national social security in safeguarding pension funds

 (6marks)

1. Discuss pros and cons of early retirement in pension law. (4marks)
2. Explain different types of benefits paid by NSSF to its members. (4marks)

**QUESTION FOUR**

1. Describe the persons eligible to join pension contributions in kenya (6marks)
2. 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**

Rukiyya 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

Basic salary 49280

House allowance 3900

Commuter allowance 4300

pension was taxed at rate of 22% while gratuity tax was 21.5%

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)