THE COUNTY ASSEMBLY OF KISUMU
3RD ASSEMBLY
DATE: Wednesday | Time: 1430
Day: 22/03
TABLED BY: Hon. Mildred
CLERK AT THE TABLE: Hamman Moses

COUNTY ASSEMBLY OF KISUMU

THIRD ASSEMBLY – SECOND SESSION

Committee on Welfare and Equal Opportunity

REPORT ON COMMITTEE MEETING WITH LAPFUND IN NAIROBI.

(Submitted pursuant to Standing Order 182)

Presented by;

HON. MILDRED BIKO AJUMBO

DIRECTORATE OF COMMITTEE SERVICES,
CLERKS CHAMBERS,
KISUMU COUNTY ASSEMBLY

MARCH, 2023.

WELFARE AND EQUAL O TIES REPORT

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1.0 INTRODUTION

1.1 PREAMBLE

Mr. Speaker Sir,

The committee on Welfare and Equal Opportunity is one of the Select Committees of the County Assembly of Kisumu; mandated to look into the Welfare of the Members of the County Assembly and the staff. The committee may also study matters referred to it by the County Assembly or on its own initiative, and undertake studies within its areas of responsibilities.

Mr. Speaker Sir,

On behalf of the Select Committee on Welfare and Equal Opportunities, **pursuant to the provisions of the County Assembly Standing Orders no. 163 (c) and 182;** it is my pleasant pleasure and privilege to present to this House the Report on Meeting of the Committee on Welfare and Equal Opportunities and the LAPFUND in Nairobi. The main objective of the meeting was to discuss the savings and investments with the Lapfund.

1.3 EXECUTIVE SUMMARY

Mr. Speaker Sir,

The Select Committee on Welfare and Equal Opportunities resolved to have a consultative meeting with LAPFUND at the Head Offices in Nairobi. This was agreed in a meeting by Members of the Committee, owing to the fact that the third Assembly has just began and Members are beginning to save with them and also invest with them as far as Makasembo Houses are concerned and this enabled elaborate discussion over the same.

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THE OBJECTIVES OF THE MEETING

Mr. Speaker Sir and honourable members,

The objectives of the committee meeting during the visits were:

1. To discussion on status report of the Assembly contributions to Lapfund and identify any gap.
2. To train members on how they can interpret their statements.
3. To have an elaborate discussion with Members on Lapfund investments especially Makasembo.
4. To train Members on calculations of the tax on gratuity and other benefits.

1.4 MEMBERSHIP OF THE COMMITTEE

The committee on Welfare and Equal Opportunities as currently constituted comprised of the following Members:-

1.	**Hon. Mildred Ajumbo**	-	**Chairperson**
2.	**Hon. Maurice Ngeta**	-	**Vice Chairperson**
3.	Hon. Joachim Oketch	-	Member
4.	Hon. Mariam Abeid	-	Member
5.	Hon. Geofrey Warindu	-	Member
6.	Hon. James Were	-	Member
7.	Hon. James Ochieng Omollo	-	Member
8.	Hon. Pete Oiko	-	Member
9.	Hon. Ann Achola	-	Member
10.	Hon. Eunice Alando	-	Member
11.	Hon. Samuel Dede Otieno	-	Member
12.	Hon. Samwel Onyango	-	Member
13.	Hon. Emily Oginga	-	Member
14.	Hon. Alice Wajewa	-	Member
15.	Hon. Fredrick Adonija	-	Member

Secretariat:

1.	Benard Abuodha	–	Committee Clerk
2.	Ms. Brenda Chasi	–	Clerk Assistant
3.	Jesca Atieno	–	Hansard
4.	Ms. Olga Owano	–	Serjeant-At-Arms

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ACKNOWLEDGEMENT

Mr. Speaker Sir,

Special appreciation goes to Hon. Speaker Kisumu County Assembly, his officers and Members of the County Assembly Committee on Welfare and Equal Opportunities, and staff who participated during the meeting in Nairobi. The Committee wishes to extend its gratitude to LAPFUND Officers both at the Western Region Offices in Kisumu and Nairobi Headquarters for the good cooperation and warm reception they accorded to the Committee during the meeting.

Mr. Speaker Sir,

On behalf of the Select Committee, **pursuant to the provisions of the County Assembly Standing Orders no. 163 (c) and 182;** it is my pleasant pleasure and privilege to present to this House the Report of the Committee Meeting with LAPFUND in Nairobi.

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Hon. Mildred Biko Ajumbo

CHAIRPERSON

WELFARE AND EQUAL OPPORTUNITIES REPORT

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DELIBERATIONS

Mr. Speaker Sir,

The committee was warmly welcomed by the officers from Lapfund. The officers included;

1. Ms Bridget Kaari – Benefit Administration Officer.
2. Mr. Edwin Kayonzo - Benefit Administration Officer.
3. Mrs. Gloria Koin – Benefit Administrations assistant.
4. Mr. Erick Otieno – Finance and Investment Officer.
5. Mr. Moses Maroa – Finance and accountant receivable officer.
6. Ms Monica Gikaru – Marketing Coordinator.

The Committee then proceeded for an interactive joint session with Lapfund at the Boardroom.

OVERVIEW OF LAPFUND

Mr. Speaker Sir,

Local Authority Provident Fund **(Lapfund)** is a Defined Contribution Scheme registered and regulated by the Retirement Benefit act of 1997 and subsequent Regulations. It is a state Corporation which was established by an act of Parliament Cap.272, Laws of Kenya, in 1960 as a defined contribution scheme. The scheme currently operates under the County Government Act of 2012 (section 132) which states that subject transitional provisions herein, all members, officers and staff of county governments shall subscribe to an existing pension scheme for officers and staff of local governments, Regulated by the Retirement Benefits Act of 1997 and subsequent regulations.

LAPFUND caters for all employees of County governments and water Companies, where Members contribute 12% while the Sponsors contribute 15% of the Members' gross salary (basic salary plus house allowance).

LAPFUND membership as at June, 2022 was 62,103 members, an increase by 46% from 45,426 members in 2018.

The total contribution by Members to LAPFUND as at June 2022 was Kshs. 8.39 billion an increase by 52% from Kshs. 5.53 billion in FY 2017/2018.

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The contribution from members are done inform of normal, voluntary and gratuity contributions. The funds collected are subjected to investment and made available in form of members benefits when need arises.

LAPFUND operates as a parastatal under the National Treasury licensed and regulated by the Retirement Benefit Authority (RBA); Audited by Auditor General; and supervised by the Inspectorate of State Corporations.

WELFARE AND EQUAL OPPORTUNITIES REPORT

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LAPFUND INVESTMENTS PROJECTS

1. GOLFVIEW SERVICED APARTMENTS

Golf View Serviced Apartment was established as a flagship project of LAPFUND, in order to enhance the investments and returns to members. The apartments are located in Nairobi, on Mucai drive, off Ngong' road and comprises of;

- ✓ Furnished serviced apartments
- ✓ Conference facility
- ✓ Restaurant
- ✓ Gym
- ✓ Steam & Sauna
- ✓ Swimming Pool
- ✓ Ample Parking
- ✓ Security

Room Prices - Golfview Serviced Apartments			
		Bed Only	**Bed & Breakfast**
Studio	Single	5,000	5,800.00
	Couple	5,000	6,600.00
		Bed Only	**Bed & Breakfast**
1 Bedroom	Single	7,000	7,800.00
	Couple	7,000	8,600.00
		Bed Only	**Bed & Breakfast**
2 Bedroom	Single	10,000	10,800.00
	Couple	10,000	11,600.00

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2. LAPFUND GARDENS, MAVOKO

LAPFUND Gardens is a gated development, comprising of 131 modern units of maisonettes, Kindergarten and 5 shops, located approximately 1.3kms off Mombasa Road.

PROPOSED RENT TO OWN FOR LAPFUND GARDENS, MAVOKO						
TYPE 1 - ACACIA						
Purchase Price	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
% Deposit	50%	50%	40%	40%	30%	30%
Initial Installment (Deposit)	5,000,000	5,000,000	4,000,000	4,000,000	3,000,000	3,000,000
Outstanding balance after deposit	5,000,000	5,000,000	6,000,000	6,000,000	7,000,000	7,000,000
Interest charge p.a	5.0%	5.0%	6.5%	6.5%	8.0%	8.0%
Years	5	10	5	10	5	10
Total periods	60	120	60	120	60	120
Monthly Payment	**94,356**	**53,033**	**117,397**	**68,129**	**141,935**	**84,929**

PROPOSED RENT TO OWN FOR LAPFUND GARDENS, MAVOKO						
TYPE 2 - BAMBOO						
Purchase Price	10,250,000	10,250,000	10,250,000	10,250,000	10,250,000	10,250,000
% Deposit	50%	50%	40%	40%	30%	30%
Initial Installment (Deposit)	5,125,000	5,125,000	4,100,000	4,100,000	3,075,000	3,075,000
Outstanding balance after deposit	5,125,000	5,125,000	6,150,000	6,150,000	7,175,000	7,175,000
Interest charge p.a	5.0%	5.0%	6.5%	6.5%	8.0%	8.0%
Years	5	10	5	10	5	10
Total periods	60	120	60	120	60	120
Monthly Payment	**96,715**	**54,359**	**120,332**	**69,832**	**145,483**	**87,053**

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PROPOSED RENT TO OWN FOR LAPFUND GARDENS, MAVOKO						
TYPE 3 - CIDER						
Purchase Price	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000
% Deposit	50%	50%	40%	40%	30%	30%
Initial Installment (Deposit)	6,200,000	6,200,000	4,960,000	4,960,000	3,720,000	3,720,000
Outstanding balance after deposit	6,200,000	6,200,000	7,440,000	7,440,000	8,680,000	8,680,000
Interest charge p.a	5.0%	5.0%	6.5%	6.5%	8.0%	8.0%
Years	5	10	5	10	5	10
Monthly Payment	117,002	65,761	145,572	84,480	175,999	105,312
Total paid (monthly + deposit)	13,220,099	14,091,274	13,694,329	15,097,563	14,279,946	16,357,482

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3. MAKASEMBO by LAPFUND

Proposed Units				
Type	**Area (Sq.M)**	**No of Units**	**Total Built Up Area (Sq. M)**	**% Allocation**
Commercial - Shops	26	13	360	
Kindergarten	944	1	944	
Premiun Units				
-2 Bedroom Units	60	600	36,000	32.1%
-3 Bedroom Units	80	700	56,000	37.4%
		1,300	**92,000**	**69.5%**
Parking for Premiun Units		1,210		
Affordable Units				
-1 Bedroom Units	30	180	5,400	9.6%
-2 Bedroom Units	45	100	4,500	5.3%
-3 Bedroom Units	60	290	17,400	15.5%
		570	**27,300**	**30.5%**
Parking for Affordable Units		544		
Total no of Apartments		**1,870**	**120,604**	**100.0%**
Total no of Parking		**1,754**		

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Selling Prices		
Type	Area (Sq.M)	Price
Premiun Units		
2 Bedroom Units	60	4,450,000
3 Bedroom Units	80	5,850,000
Parking for Premiun Units		
Affordable Units		
1 Bedroom Units	30	1,800,000
2 Bedroom Units	45	2,950,000
3 Bedroom Units	60	3,850,000
Commercial - Shops		
Shop 1	18	1,620,000
Shop 2	26	2,340,000
Shop 3	30	2,700,000
Commercial - Daycare	462	43,720,000
Commercial - Kindergarten	462	43,740,000

Mr. Speaker sir and hon. Members,

During deliberations, it was stated that all affordable units (both one and two bedroom) houses at Makasembo are fully booked.

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The Products Lapfund Offer

1. **Statutory Contribution (Gratuity)**

This structure applies to all employees of County Governments, Water Companies and associated companies, where Members contribute 12% while the Sponsors contribute 15% of the Member's gross salary (basic salary plus house allowance).

2. **Additional Voluntary Contribution**

This is designed to enable contributors enhance their retirement packages by making additional contributions.

It is open to both statutory contributors and Non-statutory contributors.

3. **Diaspora savings Product**

The Diaspora retirement and saving plan/ product is a voluntary savings and retirement scheme option, especially designed for discerning Kenyans in the Diaspora. It is an individual pension plan agreement between the willing member and LAPFUND.

WELFARE AND EQUAL OPPORTUNITIES REPORT

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CALCULATION OF TAX ON SAVINGS

Mr. Speaker sir and hon. Members,

During payment of the savings to the members by LAPFUND, only gratuity and interest accrued will be subjected to taxation at a rate of up to 30%, this is specified under tax allowable column in the financial statements. Gratuity are taxed because the funds are released from the sources (County Assembly) as gross, not yet taxed, hence must be subjected to taxation. People who are tax exempted (PWDs) enjoy tax exemptions of up to the tune of Kshs. 150, 000 as a requirement by the law.

It is also important to note that the money saved by the members earn interest at a rate of 5%. The interest is calculated from the time LAPFUND receives money from the employer. Late payments to Lapfund do not earn interest to members. The remittances to Lapfund should be done before 15th day of every month.

During taxation, different parameters are taken into considerations. Age of the beneficiary is one of the factors which are considered. It is also important for members to note that, members enjoy tax relief of Kshs. 60,000 yearly and this is applicable to all Members. The tax relief of Kshs. 60,000 is only applied on complete year (12 months) for MCAs it's projected to be 4 complete years at the end of the term; therefor tax free lump sum is Kshs. 60,000 x 4 years= Kshs. 240,000 which is applicable to all.

Taxable brackets are given into two; members who are 50 years and above; are taxed using a different bracket from those who are below 50 years.

WELFARE AND EQUAL OPPORTUNITIES REPORT

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GUIDELINES FOR THE CALCULATIONS OF TAX

Calculations of tax for members who are 50 years and above;

Accumulative benefits (total gratuity and interests)

Tax free lump sum = Kshs. 240,000 (4 complete years).

Taxable amount= Accumulative benefits less tax relief.

Taxable amount is subjected to taxation using the KRA pension tax band below;

Phases	Amount in Kshs.	Taxation rate
1st	400,000	10%
2nd	400,000	15%
3rd	400,000	20%
4th	400,000	25%

Any amount above 1.6 million of the taxable amount is taxed at a flat rate of 30%

Under 50 years; taxable amount is subjected to taxation using the KRA pension tax band below;

Phases	Amount in Kshs.	Taxation rate
1st	288,000	10%
2nd	100,000	25%

Over Kshs. 388,000 of the taxable amount is taxed at a flat rate of 30%

WELFARE AND EQUAL OPPORTUNITIES REPORT

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FINDINGS/OBSERVATIONS

Mr. Speaker and Honourable Members,

During deliberations, members observed the following;

- In Kisumu County, it was noted that affordable houses are on high demand as compared to premium houses. All affordable units in phase one, are fully booked.
- There are some additional charges that have been realized by the members who are applying to acquire units at Makasembo, the additional charges on top of the prices quoted are legal fees and stamp duties which keep on changing .
- Late disbursements from the National Government to Counties have greatly affected the remittances to Lapfund by Counties.
- All gratuities for Members of County Assembly of Kisumu have been paid from September 2022 to January 2023.
- On the Voluntary Contribution, Members can access their savings after three years while gratuity can only be accessed at the end of the contract.
- A total of eighteen MCAs (18) from Kisumu County Assembly did not apply for Voluntary Contributions.

WELFARE AND EQUAL OPPORTUNITIES REPORT

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COMMITTEE RECCOMENDATIONS

Mr. Speaker and Honourable Members,

After long deliberations with the Lapfund officials, the committee came up with the following recommendations;

1. THAT, LAPFUND to prepare and provide members with bi-annual report (financial statements); to enable members follow up on their voluntary and gratuity contributions.
2. THAT, people who are tax exempted (PWD); to present the documents which support the same to LAPFUND when payments of gratuity are made to ensure that they enjoy the tax relief.
3. THAT, LAPFUND should venture on affordable houses in Kisumu and not premium, as it is evident that Kisumu City is very interested in affordable houses.
4. THAT, additional charges that have been realized on the cost of units at Makasembo should be provided under total cost to avoid confusion.
5. That the Members to always check their statements properly to ensure that any discrepancy identified is corrected in time.

WELFARE AND EQUAL OPPORTUNITIES REPORT

CONCLUSION

In conclusion, Mr. Speaker, Pursuant to Standing Order No. 152 (2), of the Kisumu County Assembly Standing Orders, the committee requests this Honourable House to adopt this report with or without amendments to enable the Committee carry its mandates in uplifting the Welfare of Members as far as individual Contributions and Gratuity are concerned.

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ADOPTION SCHEDULE

We the Honourable members of Welfare and Equal Opportunity do hereby append our signatures to this report to affirm its accuracy, validity and authenticity;-

NO.	NAME	POSITION	SIGNATURE
1.	Hon. Mildred Ajumbo	Chairperson	
2.	Hon. Maurice Ngeta	Vice Chairperson	
3.	Hon. Joachim Okech	Member	
4.	Hon. Mariam Abeid	Member	
5.	Hon. Geofrey Warindu	Member	
6.	Hon. James Were	Member	
7.	Hon. James Ochieng Omollo	Member	
8.	Hon. Pete Oiko	Member	
9.	Hon. Ann Achola	Member	
10.	Hon. Eunice Alando	Member	
11.	Hon. Samuel Dede Otieno	Member	
12.	Hon. Samwel Onyango	Member	
13.	Hon. Emily Oginga	Member	
14.	Hon. Alice Wajewa	Member	
15.	Hon. Fredrick Adonija	Member	

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