



Retirement Benefits Authority

Safeguarding your retirement benefits

RESEARCH PAPER

A SURVEY TO EVALUATE EFFECTIVENESS OF TRUSTEE DEVELOPMENT PROGRAMME KENYA

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Executive Summary

With the growing dominance of defined contribution (DC) schemes, complex investment strategies and risk management challenges, there has never been more pressure on trustees to acquire the right training and get up to speed. In order to ensure trustees exercise proper care in the administration of the trust, Retirement Benefits Authority on August 29, 2011, officially launched the Trustee Development Program, Kenya (TDPK). This is a five-day training program geared to help trustees develop the skill-set necessary to perform their duties and functions effectively.

The five-day training has a rich curriculum covering all main areas from law and retirement benefit schemes, trustees, governance, to retirement scheme's funding, investing, and administration oversight. The training is currently carried out by College of Insurance. The curriculum was developed with the assistance of Canada Humber Institute of Employee Benefits.

After five years of implementation of the training program, the Authority saw it prudent for an evaluation of the programme's effectiveness in achieving the objectives that it was founded for. A survey of trustees who had undergone through training was therefore undertaken. The study analysed data using Statistical Package for Social Sciences(SPSS) and summarised descriptive statistics such as mean, standard deviation, frequencies, percentages and test for normality, asserting that several factors during the training; training needs, trainees expectations, trainer's skills and experience, appropriate learning environment, affected the training outcome.

The findings indicated that the training was effective in achieving their mandate. However a few improvements on TDPK program were recommended by the trainees (trustees).

Key words: Scheme performance; TDPK; Trustee training needs; Trustee

LIST OF ABBREVIATIONS

RBA	Retirement Benefits Authority
ARBS	Association of Retirement Benefit Schemes
SPSS	Statistical Package for Social Sciences
TDPK	Trustee Development Programme Kenya

CHAPTER ONE: INTRODUCTION

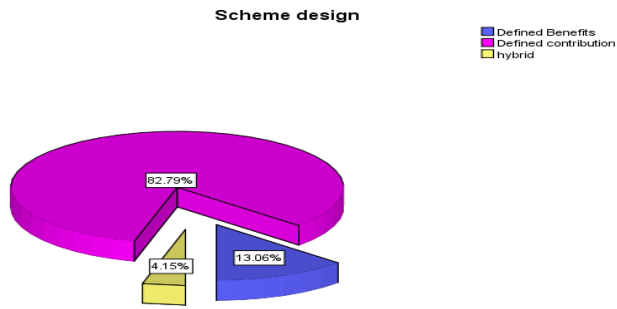
1. Background of the study

Pension education is becoming increasingly important to sponsors of defined contribution (DC) plans (Mitchell and Sylvester, 1998). Participants vary according to the types of information they need and can process regarding investment risk, return and related issues. Examining alternative approaches to pension education reveals that the way pension education is presented can have a large impact on pension plan members' investment behavior.

With the growing dominance of DC schemes, complex investment strategies and risk management challenges, there has never been more pressure on trustees to acquire the right training and get up to speed. To ensure trustees exercise proper care in the administration of the trust, Retirement Benefits Authority on August 29, 2011, officially launched Trustee Development Programme Kenya (TDPK). The five-day training has a rich curriculum covering all main areas from law and retirement benefit schemes, trustees and governance to retirement scheme's funding and investing, and administration oversight.

82.79% of retirement benefit schemes are defined contribution compared to the 13.06% and 4.15% that are defined benefit schemes and hybrid schemes as shown in figure 1.1.

Figure 1.1: Defined Contribution versus Defined Benefit Schemes



Source: Research Findings

The ongoing shift from defined benefit to defined contribution means that an increasing number of pension scheme members will be relying on DC arrangements to provide their retirement benefits in the future. In this context, it is very important that the investment choices available through these schemes are appropriate and well designed and that members have a clear sense of the risks they face. It is important therefore; that trustees should be empowered in order to enable them perform their fiduciary responsibilities effectively.

In 2011, the Authority published a practice note on the implementation of Regulation 8 (1) (c) (iii) of the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000 on vetting of trustees by the Authority to provide trust services. The practice note required all trustees of retirement benefit schemes and trust corporations in Kenya had to ensure that at least one trustee among them had been trained by the end of 2012. However, in 2014, the regulator issued new guidelines requiring all the trustees to be trained by the end of 2014. The training was communicated through various avenues. From the sampled trustees, a majority of them, 59.1% were communicated to via the administrator while 15.8% were informed and invited by RBA. Other trustees found out about the training through email, their service providers, advertisement, fellow trustees, their employer and the College of Insurance as shown in Table 2.19 in the Annex.

Trustee Development Programme Kenya (TDPK) entailed training of trustees on:

- Understanding basic concepts of registered pension schemes, their funding and management.
- Governance issues that the trustees should embrace in order to provide the required leadership.
- Legislation that regulates various pensions schemes.
- Investment mechanisms for the pension funds.
- General management of a pension fund.
- Intensively sensitise and enlighten trustees with relevant skills and knowledge that would equip them to develop the Kenyan Retirement Benefits sector by securing member's retirement funds.
- Improve compliance levels of retirement schemes to Retirement Benefits regulations and Retirement Benefits Act.
- Sustaining institutional capacity by delivering quality services to all stakeholders.

The training was important in gaining a positive work performance in any pension institution. To assess whether TDPK was effective, this study focused on finding out how well trustees were able to apply what they learned to improve their scheme's performance. This study also discusses factors that affected TDPK and the effectiveness of the training.

Research Problem

Most pension schemes are now moving to Defined Contribution

1.1 Trustee Development Programme Kenya

The Authority conducted the TDPK survey in 41 counties in Kenya to assess its effectiveness. A total of 338 trustees were sampled. This report summarises findings from the sampled trustees.

The survey was conducted by interview questionnaires delivered between April and June 2016. It took approximately 15 to 30 minutes to complete one questionnaire.

1.2 Statement of the problem

This study is intended to investigate the effectiveness of the Trustee Development Programme Kenya in the pension industry.

A majority of schemes are shifting from defined benefit plans to defined contribution plans. This is due to the high risks, expenses and liabilities associated with managing defined benefit pension plans. Defined pension plans promise members a specific amount of benefit (pension or annuity) which has to be paid to the member whether the scheme's performance is bad or good. In contrast, Defined Contribution pension plans do not face such liabilities or risks because the percentage of salary contributed annually by the member accumulates through the scheme's investments and paid at retirement according to how the scheme has performed annually. This means, if the scheme has a good performance, the members at retirement get a higher income, and on poor performance, a member at retirement gets a lower income (Investopedia, 2016).

Consequently, with the growing dominance of defined contribution schemes, complex investment strategies and risk management challenges, there has never been more pressure on trustees to acquire the right training and get up to speed. To ensure trustees exercise proper care in the administration of the trust, Retirement Benefits Authority on August 29, 2011, officially launched Trustee Development Program Kenya (TDPK). The five-day training has a rich curriculum covering all main areas from law and retirement benefit schemes, trustees and governance to retirement scheme's funding and investing, and administration oversight.

1.3 Research Objectives

1.3.1 Scope of study

The study focused on trained trustees of occupational retirement benefits schemes randomly selected from 41 counties. Because of security concerns, trustees from Garissa, Mandera, Wajir, Marsabit, Turkana and Malindi counties were not sampled. The sample was trustees who had gone through the training.

1.2.2 Objectives of the Survey

- Identify trustee expectations before TDPK.
- Identify unmet expectations after TDPK.
- Find knowledge gaps the training filled.
- Assess the methods of training.
- Assess the overall design of the training program
- Develop an action plan that will include recommendations based on the results of the analysis to assist in revising the curriculum.

1.4 Significance of the study

Both DC and DB schemes have trustees. An individual member in a DC scheme has a lot of decisions to make about the way they save and what they do with their pension savings when they reach retirement age.

Trustees of schemes offering DC benefits have a responsibility to support their members in making informed decisions. They should ensure that a provision is made for members who don't choose an investment option. They should also understand the investment options they offer members and make sure they are offering appropriate fund choices. Trustees provide timely and relevant information to; prospective members about the scheme, current members about their savings; and members approaching retirement about the options they have.

Understanding factors that affect the trustee training is important especially in the pension industry as trustees are expected to be responsible for ensuring beneficiaries of the schemes get adequate pensions when they retire through good investment returns.

This study is therefore relevant in evaluating the selected sample size through descriptive data analysis as a representative of all the trained trustees in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Financial and Pension Literacy in Kenya

The Organization for Economic Co-operation and Development (OECD) and its International Network on Financial Education (INFE) has defined financial literacy as a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. This state of financial literacy has been found wanting in Kenya. (Njuguna, Mutanu, Otsola, & Thuku, 2011) assessed pension scheme members' levels of finance and pension literacy and found that scheme members had relatively a higher level of knowledge on pension scheme practices than general financial literacy. However, in comparison with other countries the levels of both remained low and identified inadequate training for the low level of understanding of pension fund matters and major hindrances to participation in pension scheme affairs.

Rather than offering easy solutions or merely promoting new product options, government, policy makers and private sector actors are looking for the most effective ways to develop the financial capability of the people they serve and promote positive financial behaviors. Some of these behaviors which have near-universal relevance include: making ends meet; keeping track of one's finances; retirement planning; choosing appropriate financial products; and staying

informed about financial matters.

(Agnew & Hurwitz, 2013) observe that additional research suggests that lack of financial knowledge can influence financial decision-making related to retirement. For example, (Lusardi & Mitchell, 2011) find that individuals who cannot correctly answer their basic financial questions are less likely to be retirement planners. (Agnew & Hurwitz, 2013) say that given that research demonstrates that planners accumulate more retirement wealth than non-planners, it follows that low financial literacy can lead to inadequate savings outcomes (for example, (Lusardi & Beeler, How will boomers fare? in: Madrian, B. C., Mitchell, O. S., Soldo, B, Redefining Retirement: How Will Boomers Fare., 2007); (Lusardi & Mitchell, 2011)). In addition, it was found out that less financially sophisticated investors are more likely to hold inappropriately conservative asset allocations in their retirement plans leading to substantial welfare losses. Furthermore, individuals with less financial knowledge are significantly more likely to invest in the default option. In these cases, if the defaults are not carefully chosen, suboptimal retirement outcomes may result

2.2 Pension Trusteeship in Kenya

According to The Retirement Benefits Act “trustee” means a trustee of a scheme fund and includes a trust corporation. The Act requires the trustees of every scheme shall cause to be kept all proper books and records of account of the income, expenditure and assets of the scheme fund.

The Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000 outlines the duties of trustee. The Trustees of the pension fund play a key role of safeguarding the interests of the fund’s members at all times. They are required to appoint an independent professional company known as the Fund Manager to invest the scheme funds and an independent bank known as the Custodian to look after the pension assets such as cash and other investments.

In addition, a Fund Administrator is appointed to maintain accurate records of all contributions made by the members and all benefits paid to the members. This separation of roles ensures good governance, transparency and accountability for the decisions made on behalf of the members.

Further, trustees have to communicate regularly with the members of the scheme with respect to the affairs of the scheme. Besides providing members with annual membership benefits statements, they also have to convene an annual meeting of members to enable them raise any matters pertaining to their schemes.

As the number of people reaching retirement age increases and retirement income solutions evolve, trustees have the responsibility to provide their members with sufficient information and guidance to be fully aware of their retirement options. Given the increasing complexity of pension schemes, trustees have a much greater need to communicate with scheme members. Any such member communication needs to be clear, concise and accurate, ensuring that scheme members understand and appreciate the benefits being provided.

CHAPTER THREE: RESEARCH METHODOLOGY

This section highlights the study framework, analysis design, data sources and data analysis techniques, population of the study and procedures for the study.

3.1 Analytical Design

The objectives of this study aim to evaluate the effectiveness of Trustee Development Programme, Kenya. As part of the descriptive statistical method, techniques like correlation analysis, normality tests, cross tabs, figures and tables are applied to achieve these set goals. The crosstabs analysis brings out the relationship between factors that determine the effectiveness of TDPK.

3.2 Population of the study

Population of study was the trained trustees from registered schemes.

3.3 Data Collection Methods

Through the issuance of questionnaires, interviews were conducted after arranging interview sessions with the trustees. Emailed questionnaires were tools used to collect data.

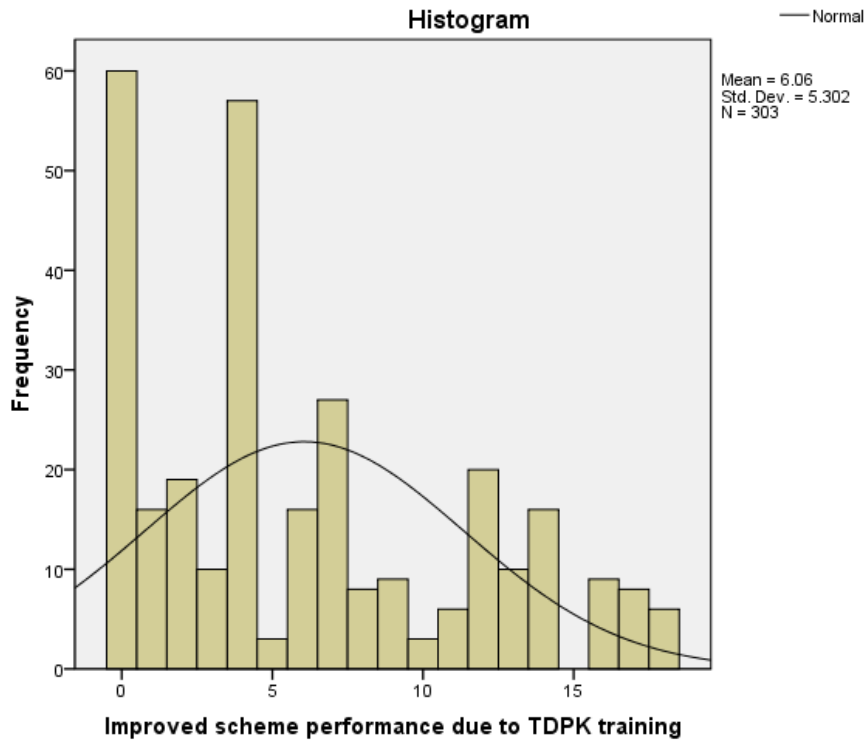
CHAPTER FOUR: DATA ANALYSIS & INTERPRETATION OJF RESULTS

4.0 Results of the Survey

4.1 Test for Normality

Having the performance of the scheme, this study carried out a Shapiro Wilk's test (Wah & Razali, 2011) to check if the scheme performance factor is approximately normally distributed for each category of an independent variable. All factors affecting performance of the scheme were insignificant due to a high correlation. A linear regression model could not be carried out as a factor of scheme performance could be linearly predicted from the others with a substantial degree of accuracy. The data was not normally distributed as shown below.

Figure 2.1: Test for Normality



Source: Research Findings

Figure 2.1 explains the distribution of the dependent variable which is improved scheme performance due to TDPK training. A Shapiro Wilk's Test ($p > .05$) and a visual inspection of their histograms, normal q-q plots and box plots showed that the Scheme performance was not normally distributed with a significance (less than .05), a skewness of .647 (SE= .140) and a kurtosis of -.721 (SE=0.279)

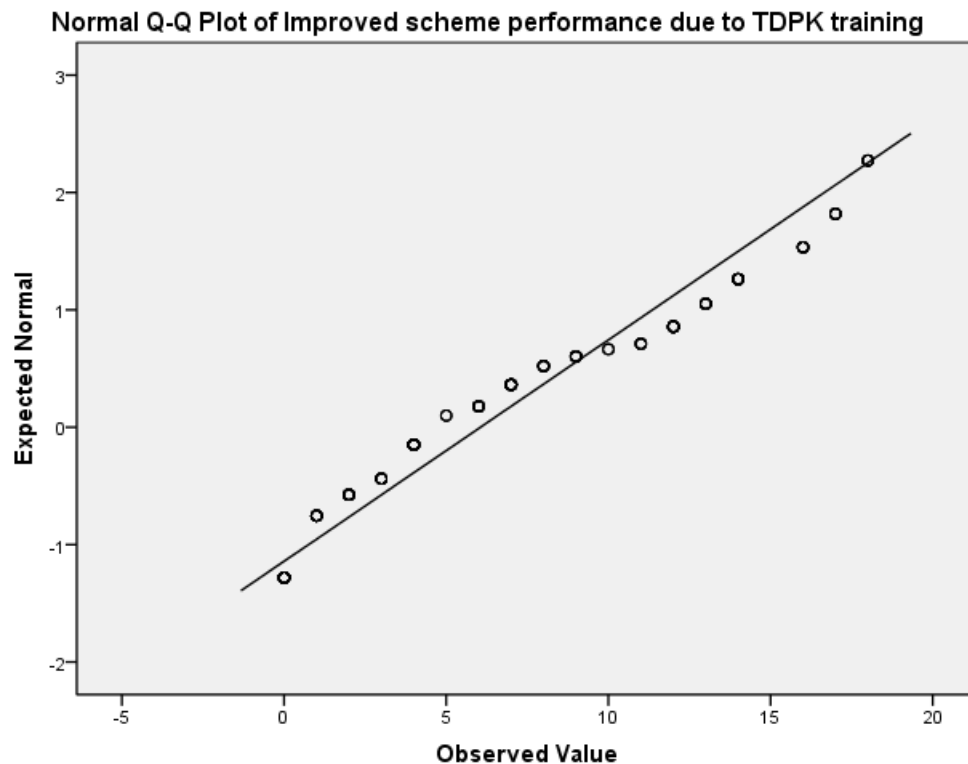
Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Improved scheme performance due to TDPK training	.186	303	.000	.900	303	.000

a. Lilliefors Significance Correction

*Lower bound of the true significance

Source: Research Findings



Source: Research Findings

The above normal Q-Q plot provides a graphical way to determine the level of normality. The black line representing values the scheme performance variable should adhere to if the distribution was normal. However, in this case, the dots, representing the actual scheme performance data, deviate from the black line meaning we reject the null hypothesis and accept the alternative hypothesis that states, “Scheme performance variable is not normally distributed at 5% significance level.”

This study shall therefore use descriptive statistics.

4.2 Descriptive Results of Sampled Data

Demographic information entailed 47.8% of sampled trustees ranging between 41-50 years of age. 28.2%, 17.9% and 3.7% were in the range of 31-40 years, 51-60 years and 20-30 years respectively. Those who were over 60 years from the survey were 2.3% as shown in Table 1.2.

Table 1.2 Age of Sampled Trustees

Age

		Frequency	Valid Percent
Valid	31-40	85	28.2
	41-50	144	47.8
	51-60	54	17.9
	OVER 60	7	2.3
	20-30	11	3.7
	Total	301	100.0
Missing	not indicated	2	

From table 1.3, 41.1% of the sampled trustees had achieved their post graduate education followed by 34.1% who had achieved their degree. However, 0.3% and 4.3% had only achieved their primary and secondary education respectively.

Table 1.3 Education Level

Education level

		Frequency	Valid Percent
Valid	Primary	1	.3
	Secondary	13	4.3
	Diploma	60	19.9
	Degree	103	34.1
	Post graduate	125	41.4
	Total	302	100.0
Missing	System	1	
Total		303	

A majority of trustees, 31.6% have served as trustees for 1 to 2 years. Those who have served for more than 6 years were represented at 18.3% from the survey while 8.3% of trustees have served for less than a year as shown in Table 1.4.

Table 1.4 Years Served as a Trustee

		Frequency	Valid Percent
Valid	below 1 year	25	8.3
	1-2 years	95	31.6
	3-4 years	92	30.6
	5-6 years	34	11.3
	Over 6 years	55	18.3
	Total	301	100.0
Missing	not indicated	2	
Total		303	

65.6% of the sampled trustees were male while 34.4% were female as shown in Table 1.5.

Table 1.5 Gender of Sampled Trustees

Gender			
		Frequency	Valid Percent
Valid	Female	104	34.4
	Male	198	65.6
	Total	302	100.0
Missing	Not indicated	1	
Total		303	

As a result from the survey, 64% of trustees are member elected, 34.3% are sponsor/employer nominated. 1% of the trustees were professional trustees while 0.7% is corporate trustees as shown in Table 1.6.

Table 1.6 Type of Trustee

		Frequency	Valid Percent
Valid	member elected	194	64.0
	sponsor/employer nominated	104	34.3
	professional trustee	3	1.0
	corporate trustee	2	.7
	Total	303	100.0

Every scheme is required to have all their trustees trained for better scheme performance. Most sampled trustees 59.1% were communicated to about the training via the administrator. 15.8% were informed and invited by RBA while 8.2% were communicated to by the service providers. Employers played a role in informing 0.7% trustees about TDPK training. Advertisement played a role in informing 5.2% of trustees. This is shown in Table 1.7.

Table 1.7 How Trustees knew about the training

How did you know about the training?

		Frequency	Valid Percent
Valid	service providers	24	8.2
	Advertisements	15	5.2
	Trustees	26	8.9
	college of insurance contact	1	.3
	RBA requirement	4	1.4
	Administrator	172	59.1
	My employer	2	.7
	Informed and invited by RBA	46	15.8
	Email	1	.3
	Total	291	100.0
Missing	not indicated	11	
	System	1	
	Total	12	

All the sampled trustees knew their scheme's fund value.

Table 1.8 Trustees Know how on the scheme's Fund Value

Do you know the scheme's fund value?

		Frequency	Valid Percent
Valid	Yes	268	100.0
	not indicated	35	
Total		303	

Table 1.9 showed that 99.6% of trustees knew their scheme's membership size while 0.4% did not.

Table 1.9 Trustees Know How on the Membership size

		Frequency	Valid Percent
Valid	Yes	264	99.6
	No	1	.4
	Total	265	100.0
Missing	not indicated	38	
Total		303	

Table 2.1: Descriptive Statistics of the Effectiveness of the Trustee Development Programme Kenya

Factor	N	Minimum	Maximum	Mean	Std. Deviation
Expectations before the training	301	1	2	1.13	.340
Met Expectations	296	1	2	1.01	.116
Issues not covered during the Training	35	1	14	8.03	4.866
Rated relevance of topics	301	1	1	1.00	.000
Suggested improvements on the programme	244	1	15	3.05	2.445
Graded teaching skills of the trainers	299	1	3	2.43	.516
Rating of venue and location of training	294	1	3	1.67	.580
Duration of the course	299	1	2	1.62	.486
Reason as to why the duration of the course was not adequate	191	1	3	1.08	.330
Challenges faced in applying the skills learnt through the training	293	1	2	1.72	.448
Improved scheme performance due to TDPK training	303	0	18	6.06	5.302
Have all the trustees in your scheme undertaken the course?	291	1	2	1.57	.496
Is there a plan to have the remaining trustees trained?	212	1	3	1.17	.420
Level of quality of interaction with service providers after the training.	287	1	4	2.08	.684
Valid N (listwise)	14				

Source: Research Findings

4.2.1 Trustee Expectations before TDPK

A Defined Benefit and Defined Contribution pension plan requires a minimum of three and four trustees respectively in compliance to Section 8 (c) of the occupational Regulations. According to the Retirement Benefits Act No.3 of 1997 Part IV section 40, trustees of the schemes are expected to ensure compliance to Retirement Benefits Act, effective management through improved supervision to protect members' benefits and strengthen institutional capacity to continually deliver quality services to stakeholders (Retirement Benefits Authority, June 2007). Mutuku in his study on Training Trustees and Fiduciaries observed that many trustees did not know about their duties and responsibilities under the Retirement Benefits Act. Reason for the benefit schemes not being governed well (Nzomo, 2015). As a result, RBA introduced TDPK for trustees to improve their management skills in registered pension schemes.

From this study Table 2.2 shows Trustees expectations before the training.

Table 2.2: Trustees Expectations before the training

		Frequency	Valid Percent
Valid	To get a better understanding of the roles, challenges and expectations of trustees.	214	82.3
	To understand the roles of a sponsor scheme administrator.	4	1.5
	to gain knowledge of pension schemes in Kenya	29	11.2
	network with other trustees	2	.8
	to understand RBA laws, and governance of the schemes	8	3.1
	Understand aspects of fiduciary responsibility and service providers	3	1.2
	Total	260	100.0
Missing	not indicated	42	
	System	1	
	Total	43	
Total		303	

Source: Research Findings

From the findings, most of the trained trustees (82.3%) wanted to get properly acquainted with more core roles and responsibilities of trustees. From the survey 98.6% of trustees indicated that their expectations were met. It is evident that the TDPK training covered a wide range of their objectives for effective functioning of a trustee as shown in Figure 2.1. This was a positive outcome.

Table 2.3: Fulfilled Expectations of TDPK Training

		Frequency	Valid Percent
Valid	Yes	292	98.6
	No	4	1.4
	Total	296	100.0
Missing	not indicated	7	
Total		303	

Source: Research Findings

Figure 2.2: TDPK fulfilling Trustees expectations



Source: Research Findings

More information that was necessary for the trainees included:

- Legislation of the schemes: legal financial and ethical issues were well covered.
- Governance.
- Scheme investing and funding: learning on the most secure forms of investment.
- Contracting and sourcing of service providers and administrators.
- Ways of dealing with challenges trustees might face in carrying out their duties.
- Procurement and outsourcing of investment experts was well established.

4.2.2 Expectations not met by the Training

Figure 2.1 shows that in the randomly selected sample, 1.35% of the total sampled trustees' expectations were not met. 22.9% of trustees needed more elaboration and in-depth training on risk management, investment decisions and classes of investments with the aim of them having a positive effect on the financial performance of the DC and DB pension funds.

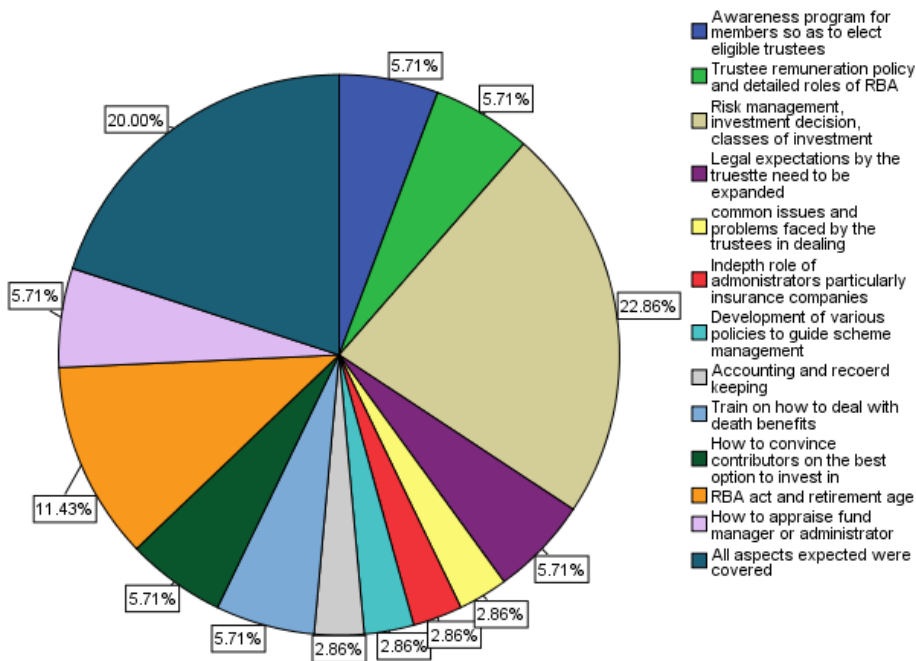
Table 2.4: Important Issues not covered during the training

	Frequency	Valid Percent
Awareness program for Members so that they may nominate eligible trustees	2	5.7
Trustee remuneration policy and detailed roles of RBA	2	5.7
Risk management, investment decision, classes of investment	8	22.9
Legal expectations by the trustee need to be expanded	2	5.7
common issues and problems faced by the trustees in dealing with fund managers	1	2.9
In-depth role of administrators particularly insurance companies	1	2.9
Development of various policies to guide scheme management	1	2.9
Accounting and record keeping	1	2.9
Train on how to deal with death benefits	2	5.7
How to convince contributors on the best option to invest in	2	5.7
RBA act and retirement age	4	11.4
How to appraise fund manager or administrator	2	5.7
All aspects expected were covered	7	20.0
Total	35	100.0
not indicated	268	

Source: Research Findings

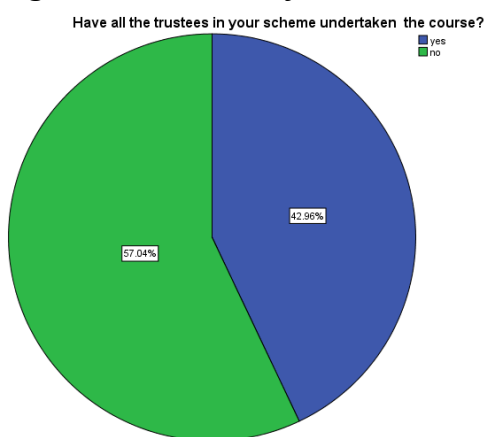
Figure 2.3: Important Issues not covered during the training

What was not covered during the training and you think it is important?



Mutuku in his study noted that 50% of trustees had been able to access RBA TDPK training. The remaining 50% exhibited lack of important basic knowledge on pension schemes, the industry’s strategy, fiduciary duties and more important aspects involved in securing member’s retirement benefits. Similarly, from the selected sample in this study, Figure 2.3 shows that 57.04% of trustees acknowledge that not all trustees in their schemes have been trained.

Figure 2.4: Number of Trustees who have undertaken the course



Source: Research Findings

From Table 2.6 of the findings from the survey, most trustees, 58.2% suggested that there should be improvement on course duration. More time for the course is important so as to avoid the situation of a crash programme. As evidenced in Table 2.7 and 2.8, 1.6% of the sampled trained trustees, were concerned about the course timeline being very congested. 93.2% of sampled trained trustees indicated that the five days were not enough to cover all the course work effectively while 27.9% of sampled trained trustees as shown in table 2.6 saw the importance of a refresher follow up seminar to monitor and evaluate the objectives of TDPK.

Table 2.6 Trustees Suggestions on Improvement of the programme

Kindly suggest improvements on the programme			
	Frequency	Valid Percent	
Valid	Arrange a refresher programme	68	27.9
	include a component of project assignment of the pension scheme	5	2.0
	Add more time for the as one week is not enough	142	58.2
	updating of presentation and booklets as they are not current	5	2.0
	Case studies would have been useful	3	1.2
	Teach more on funding and risk management of pension scheme	3	1.2
	annual seminars for trustees to keep them up to speed	3	1.2
	Have representatives from the regulators RBA and KRA to address schemes they regulate	3	1.2
	Include topics on assessment of service providers including	3	1.2
	Relocate venue to town	1	.4
	Trustees of different schemes should be trained together	1	.4
	The course could be made more practical and interactive than a crash course	1	.4
	They should identify other ways of testing the trainees	2	.8
	The food and sanitary conditions at the boarding facilities	3	1.2
	Trainers should let the trustees be informed of the results	1	.4
	Total	244	100.0
Missing	not indicated	59	
Total	303		

Source: Research Findings

Table 2.7: Adequacy of the Course Duration

		Frequency	Valid Percent
Valid	Yes	113	37.8
	No	186	62.2
	Total	299	100.0
Missing	not indicated	3	
	System	1	
	Total	4	
Total		303	

Source: Research Findings

4.2.3 Knowledge gaps TDPK training filled

The respondents indicated that the trainers teaching skills were in-depth and practical. Figure 2.5 and table 2.9 shows that the trainers' skills were rated good and excellent at 55.2% and 43.8% respectively by the trustees. The trustees noted that the trainers were well versed with the topics and through sharing of varied experiences from participants, the sessions were interactive, engaging and ensured that attendees got a deeper understanding of the pension industry laws, retirement benefit schemes, trustees, governance to retirement scheme's, funding, investing, and administration oversight. Table 2.10 shows the 94% of the sampled trustees who liked the teaching methods used by the trainers. Trainers were well versed with the topics; this resulted in improved concentration for the trustees. The learning material was well packaged. Trainers were very knowledgeable and ready to educate learners to the level of each member. They engaged all individuals in the training especially in group discussions.

Table 2.9: Trainers teaching Skills

How do you grade the teaching skill of the trainer?

		Frequency	Valid Percent
Valid	Poor	3	1.0
	Good	165	55.2
	Excellent	131	43.8
	Total	299	100.0
Missing	not indicated	4	
Total		303	

Source: Research Findings

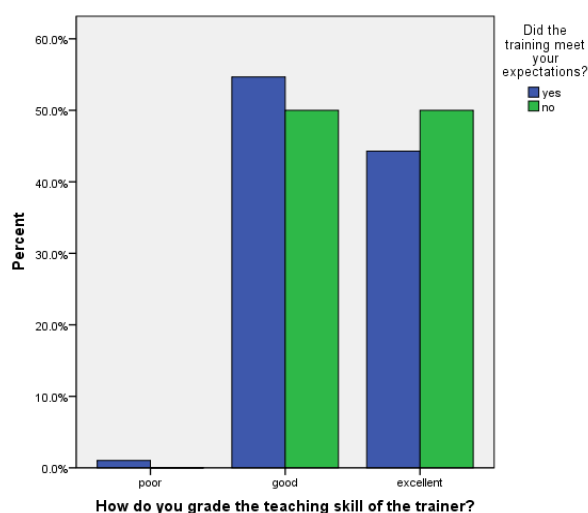
Table 2.10: Teaching methods used by the trainers

		Frequency	Valid Percent
Valid	Yes	281	94.0
	No	18	6.0
	Total	299	100.0
Missing	not indicated	4	
Total		303	

Source: Research Findings

Figure 2.5 shows the relationship between trustees met expectations and the trainer's skills.

Figure 2.5: Relationship between trustees met expectations and trainers skills



Source: Research Findings

Table 2.11 shows that majority of trained trustees, 70.4%, were from Nairobi. This is because the location for TDPK training is always in Nairobi, Mombasa and Kisumu. Mombasa and Kisumu recorded a 7.1% and 5.3% attendance, respectively. This easily crowds out most trustees especially corporate trustees based in other counties other than the three from coming for the training due to factors such as high transport, training and accommodation costs, which increases a scheme's expenditure.

Table 2.11: Regional trained trustees

		Frequency	Valid Percent
Valid	Nairobi	211	69.6
	Nakuru	4	1.3
	Naivasha	4	1.3
	Mombasa	12	4.0
	Kisumu	24	7.9
	Muranga	6	2.0
	Kakamega	1	.3
	Nyeri	3	1.0
	Kisii	4	1.3
	Tharaka Nithi	1	.3
	Kiambu	9	3.0
	Kirinyaga	1	.3
	Thika	10	3.3
	Trans Nzoia	2	.7
	Uasin Gishu	5	1.7
	Kitui	1	.3
	Machakos	5	1.7
	Total	303	100.0

Source: Research Findings

The above results may explain why 57.04% of trustees in most schemes in other counties have a low performance as not all the trustees are trained as shown in Figure 2.3.

Therefore, this is a gap that needs to be solved in order to improve the performance of the pension industry, not only in specific counties but all counties.

4.2.4 Training Environment

Table 2.12 rates the training environment during TDPK. Trustees rated the venue and location of training as adequate at 55.8%, very adequate at 38.4% and not adequate at 5.8%. College of Insurance had a conducive learning environment; with proper classroom facilities, boarding facilities and important basic amenities. Learning materials were well supplied. Use of both visual and audio made PowerPoint presentations clearer. Examinations were given when the minds of the trustees were still fresh and the language was very easy to understand. Trainers were skilled and experienced. As much as the booklet was voluminous, they came up with a good methodology to give a good summary without excluding important content.

Table 2.12 Training Environment

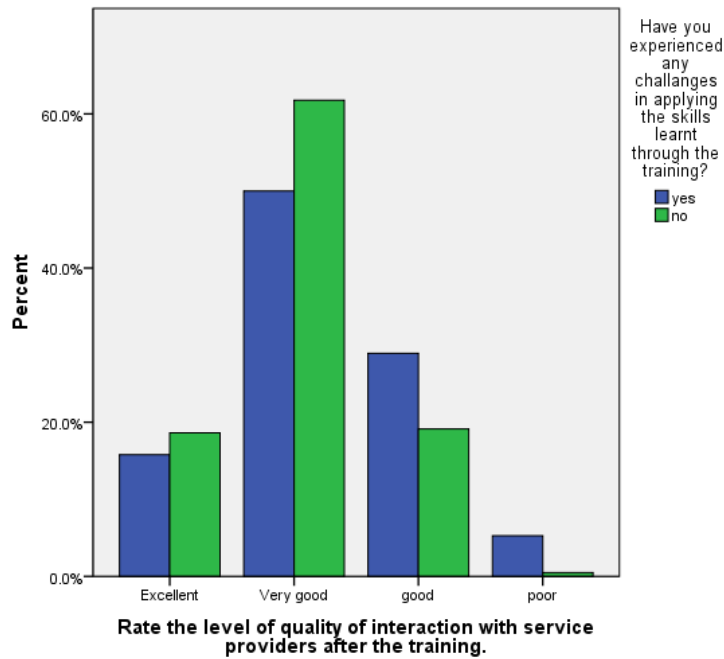
How would you rate the venue and location of the training?			
		Frequency	Valid Percent
Valid	very adequate	113	38.4
	Adequate	164	55.8
	not adequate	17	5.8
	Total	294	100.0
Missing	not indicated	9	
Total		303	

Source: Research Findings

4.2.5 Challenges Trustees face when applying skills acquired from TDPK training

Figure 2.6 shows how the relationship between trustees and service providers may affect how they apply the skills gained from TDPK with the aim of improving the scheme's performance.

Figure 2.6: Interaction between Trustees and service providers in Relation to the Challenges Trustees face.



Source: Research Findings

Table 2.13 shows that 2.1% of the trustees who had a poor interaction with the service providers faced several challenges when applying skills they learnt in TDPK.

Table 2.13: Quality of interaction between trustees and service providers after TDPK training.

		Frequency	Valid Percent
Valid	Excellent	50	17.4
	Very good	169	58.9
	Good	62	21.6
	Poor	6	2.1
	Total	287	100.0
Missing	not indicated	16	
Total		303	

Source: Research Findings

The challenges identified were as follows:

- Administrators do not take minutes in scheme meetings as proof of internal proceedings.
- After new investment decisions are made, members think the decision is wrong because trustees did not ask them to be part of the process.
- Member elected trustees have a problem in working with sponsor trustees who have not really been trained thus affecting decision making.
- The sponsored trustees feel they are more in charge than others and therefore try to ignore the input of others even when other parties are right.
- Investment choices were actively done by fund managers in total disregard to the trustees' opinion.
- Increased conflict with sponsor trustees for not understanding the work, powers and responsibilities of trustees.
- High cost implications especially where the scheme is to spend money on consultation policy formulation.
- Financial constraint from the sponsor
- Members leaving scheme.
- No follow up on delayed remittances

- Poor approach in engaging the fund managers.
- Inconsistency of remittance of member's contributions.
- Interference of trustee's affairs by the sponsor. Majority of the trustees are from the sponsors hence can overwhelm decisions made in meetings.
- Some of the new trustees were slow to carry out their roles especially if they had not been trained.
- Some service providers are reluctant to be corrected and so they fake new ideas.
- Some trustees do not understand the laws governing the pension industry.
- The scheme is run by corporate trustees so it is hard to access information and policies.

However, from the data in Figure 2.6 and Table 2.13, 58.9% of the trustees had very good quality of interaction with service providers and 17.4% of the trustees had excellent quality of interaction with service providers. Regardless of the good interaction with, they faced challenges exclusive of service providers.

The following challenges were summarised from the survey;

- Trustees' non-compliance with RBA guidelines.
- Barrier to communication when young generation members do not attend scheme meetings but only come forward to check balances. This is a major problem for trustees.
- Member's lack of knowledge on pension. Members ignorant about activities of the fund and independence of the board of trustees.
- Members are oblivious of the risks they may face when they do not save adequately for their retirement through voluntary contributions.
- Convincing employers to settle dues on time.
- How to solve conflicts that arise among various stakeholders.

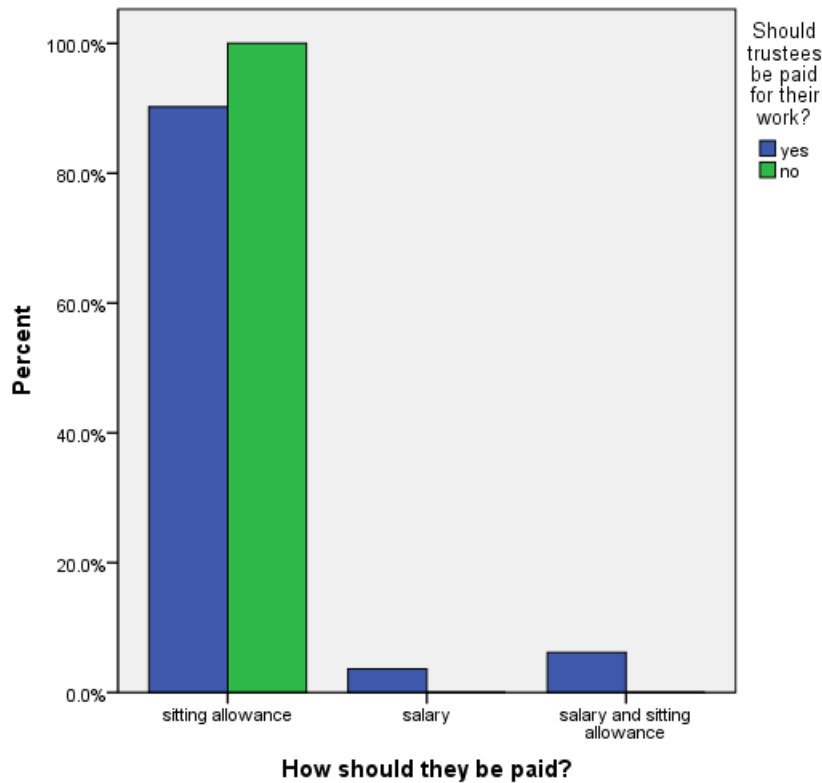
- Trustees' lack of confidence in managing the schemes.
- Some members see retirement benefits as a far-fetched idea. Limited access to member contribution information.
- Trustees do not have an office to carry out the duties.
- Some members are resistant to new ideas.
- Some members are not aware of figures in their statements.
- Difficulty in contacting a member's next of kin.
- Some of the courses in TDPK are too technical. Because of shortage of time learners we were not able to understand.
- The training did not address the issue of value creation (investment) in depth as the training was a crash course.
- There are members who report to RBA when their dues are delayed and yet they had not cleared with the employer.

4.2.6 Trustees Remuneration

Figure 2.7 and Table 2.14 explain trustee remuneration from the TDPK survey. 90.1% of sampled trustees, the majority, were in support that they should be paid a sitting allowance only and not a salary or both. Giving trustees a sitting allowance may have a negligible effect on the scheme's expenditure costs compared to a salary.

Trustees should be ready to devote time to the working of the pension scheme without pay. It might be that a lot of money is being managed by the scheme, but it does not mean that trustees should get some of this money for themselves as the money belongs to members of the scheme. If trustees who are also beneficiaries in these schemes get remunerated from these same funds, then members will be left with lower benefits on retirement. Many trustees hold their meetings during normal working hours for which they are paid by their employer. Remunerating trustees may lead to more costs being incurred by the schemes.

Figure 2.7 Trustee Remuneration



Source: Research Findings

Table 2.14: Remuneration of Trustees

How should they be paid?		Frequency	Valid Percent
Valid	sitting allowance	254	90.1
	Salary	11	3.9
	salary and sitting allowance	17	6.0
	Total	282	100.0
Missing	not indicated	21	
Total		303	

Table 2.15 explains the suggested improvements on TDPK programme. 58.2% of trustees saw that the course would have been more productive if enough time was allocated to it. 27.9% of the sampled trustees saw it fit for a refresher programme to be put in place so as to keep the trustees up to speed.

Table 2.15 Areas of improvement in TDPK programme

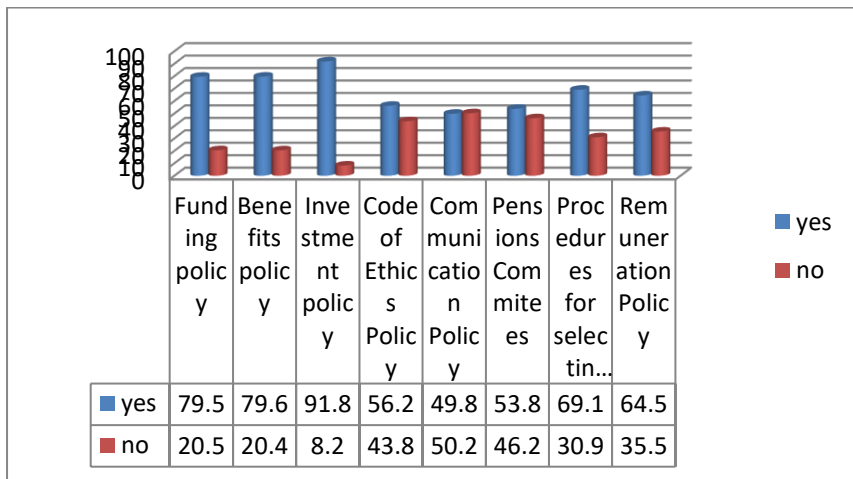
Kindly suggest improvements on the programme

		Frequency	Valid Percent
Valid	Arrange a refresher programme	68	27.9
	Create a project assignment for each pension scheme	5	2.0
	more time is required as one week is not enough	142	58.2
	updating of presentations and booklets as they are not current	5	2.0
	Case studies would have been useful	3	1.2
	Teach more on funding and risk management of pension schemes	3	1.2
	annual seminars for trustees to keep them up to speed	3	1.2
	Have representatives from RBA and KRA address the trustees on tax on pension funds.	3	1.2
	Include topics on assessment of service providers including administrators	3	1.2
	Relocate venue to town or a more central place for all registered schemes in all counties	1	.4
	Trustees of different schemes should be trained together	1	.4
	The course could be made more practical and interactive	1	.4
	They should identify other ways of testing the participants	2	.8
	The food and sanitary conditions at the boarding facilities should be improved	3	1.2
	Trainers should let the trustees be informed of the actual results	1	.4
Total	244	100.0	
Missing	not indicated	59	
Total		303	

4.2.7 Level of Satisfaction with management of the Scheme

Figure 2.8 shows the percentage of schemes that possessed the policy documents before and after the training. Before TDPK training, 91.8% of the schemes had the Investment policy, 79.5% of the schemes had the funding policy, 79.6% possessed the Benefits policy, 69.1% had the procedures for selecting service providers, 64.5% of the schemes had the remuneration policy, 56.2% had the code of ethics policy while 53.8% had the pensions committees document.

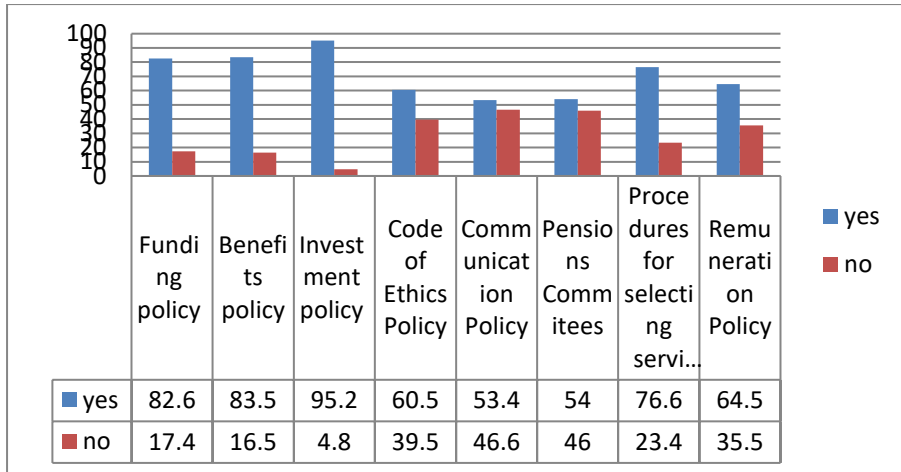
Figure 2.8: Documents possessed before TDPK Training



Source: Research Findings

Figure 2.9 shows the documents possessed after TDPK training. There was a recorded improvement in possession of the documents after TDPK training. A 3.1% increase was recorded in the possession of the funding policy. The highest improvement was in the possession of the procedures for selecting service providers at 7.5%. Possession of the Remuneration policy in the schemes recorded no change after the TDPK training. 3.9% was a representative of the increased possession of the Benefits policy. A 3.4% improvement in the possession of the Investment policy was recorded. 3.8%, 3.6% and 0.2% were the recorded improvements in the possession of Code of Ethics, Communication policy and the Pensions Committees documents respectively.

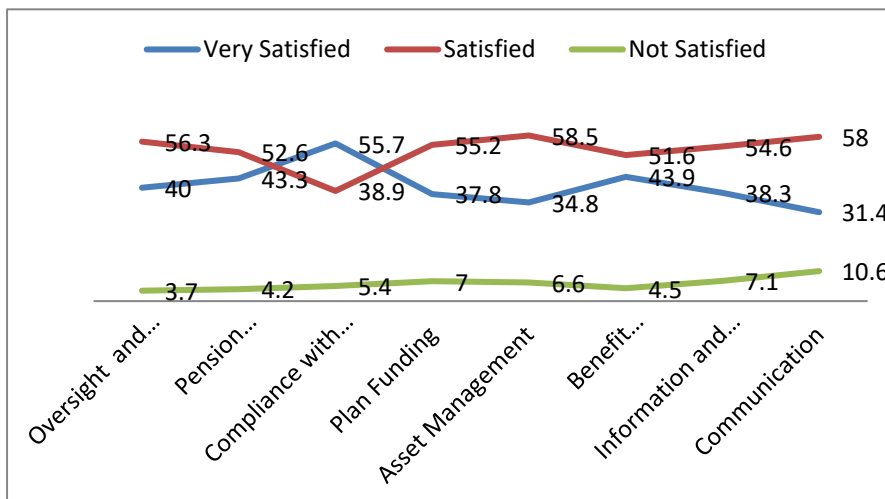
Figure 2.9: Documents Possessed After TDPK Training



Source: Research Findings

Figure 2.10 shows the rated level of satisfaction with the management of the sampled schemes in; oversight and monitoring function, pension management, compliance with legislation, plan funding, Asset management, benefit administration, information and reporting requirement and communication function.

Figure 2.10: Rated Management of the Benefit schemes



Source: Research Findings

CHAPTER FIVE: CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusion

The study analyzed a population of trained trustees from registered schemes who attended the Trustee Development Program, Kenya. Main factors that measure effectiveness of TDPK are: expectations before TDPK; unmet expectations after TDPK; knowledge gaps the training filled; methods of training; overall design of the training programme.

The study found out that the training was effective in achieving their mandate. Learning is aimed at giving trustees the ability to apply knowledge. It not only had a goal to improve the industry's investment returns but also improve the skill sets of people.

5.2 Policy Implications and Recommendations

- 1) Kenya's current population is estimated at 40million and is expected to increase to 55.4million by the year 2050. Almost half of Kenyan population is young with 6% of the proportion being below age 55 while 41% are below age 15. This means that the dependency ratio (ratio of elderly to active labor force) is high and it will increase from 12% to 30% by 2050(Raichura, 2008). With a majority of workers in Kenya being informal workers or in the agricultural sector, TDPK should focus on putting more emphasis on improvement of performance in individual schemes where members are from the informal sector join individual pension plans. This move and an effective team of trustees to manage these schemes will lead to an increase in enrolment of members and a reduction in the post retirement poverty in Kenya.
- 2) Confidence in pension schemes is due to proper investments that lead to higher returns. TDPK training should train the remaining trustees, on investment and how to work with

fund managers in selecting the best asset classes for investment so as to effectively give trust services in the pension industry.

- 3.) TDPK is a five day training programme. For better and improved scheme management, the five days should be increased to two weeks as requested by 93.2%, a majority of the sampled trustees in the carried out survey. The few days led to a crash programme due to congestion of information.
- 4.) A refresher course should also be carried out so as to clarify on any changes in regulation, policy, technology, and culture in the pension industry even as Kenya drives towards developing economically.
- 5.) The training is mainly done in Nairobi, Kisumu and Mombasa. Other schemes in other regions seem neglected. Therefore a few are able to go for TDPK. This problem can be solved by a regional roll out of the programme.
- 6.) Trustees who attend TDPK get governance skills and they secure member's savings. As a result, beneficiaries get better income at retirement (Liberty Pension, 2012). It is important for RBA to keenly assess the performance of the registered schemes and trustees after TDPK training and set up clear performance indicators and strategies so as to improve the pension industry.
- 7.) TDPK training should illustrate how trustees should deal with risk management especially if their investment classes are not performing well. This might lead to members getting lower income at retirement.
- 8.) Legal expectations by the trustee need to be expanded.
- 9.) Discuss more on common issues and problems faced by the trustees in dealing with members and sponsors.

APPENDIX

QUESTIONNAIRE



Safeguarding your retirement benefits

TRUSTEE SURVEY

Date _____

Start (time) _____

Finish (time) _____

Location _____

Name of Interviewer: _____

Name of Scheme _____

A Survey to Assess Implementation of Trustee Development Programme Kenya

Dear Trustee,

We appreciate your willingness to participate in this survey. Your identity, answers and opinion shall remain confidential during the exercise and after publication of the results. The primary goal of the study is to assess the implementation of the training programme with a view to improving the content and design of the programme.

In case of any clarification, questions or concerns, please contact Chief Manager, Research & Strategy, telephone 020-2809000/107, or email, souma@rba.go.ke.

SECTION I

Background Information

1. Gender.

Male Female

2. Age bracket.

20 - 30
31 - 40
41 - 50
51 - 60

Over 60

3. Education level

Primary

Secondary

Diploma

Degree

Post-Graduate

4. Years served as trustee.

Below 1 year

1 - 2 years

3 - 4 years

5 - 6 years

Over 6 years

5. Type of trustee.

Member Elected

Sponsor/employer Nominated

Professional Trustee

Corporate Trustee

6. Scheme Design.

Defined Benefits (DB)

Defined Contribution (DC)

Hybrid

7. Scheme Type.

Provident

Pension

8. Size of the scheme as at December 2015 (or the last audited accounts).

Membership.....

Fund value

SECTION II

Trustee Development Programme Kenya Training

9. When did you attend the Trustee Development Programme Kenya training?

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.....

10. How did you know about the training?

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.....

11. Did you have any expectation before the training?

Yes No

12. If yes above, what were your expectations?

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.....
.....

13. Did the training meet your expectations?

Yes No

14. Kindly explain your answer above.

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.....

15. What was not covered during the training and you think it is important?

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.....
.....
.....

16. Were the topics relevant?

Yes No

17. If no, which one(s)?

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.....
.....
.....

18. Kindly suggest improvements on the programme.

.....
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.....
.....
.....

19. How do you grade the teaching skills of the trainers?

Poor Good Excellent

20. Do you like the teaching methods used by the trainers?

Yes No

21. Kindly explain your answer above.

.....
.....
.....

22. How would you rate the venue and location of the training?

Very Adequate
Adequate
Not Adequate

23. Is the duration of the course adequate?

Yes No

24. If no, kindly explain.

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.....

25. Is the course affordable?

Yes No

26. If no, kindly explain and suggest how the fee should be made affordable.

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.....
.....

27. How did you meet the training cost?

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.....

SECTION III

How Trustees Use Their Training.

28. Which skills did you acquire from the training?

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.....
.....

29. Have you applied any of the skills learnt in the training?

Yes No

30. If yes, how?

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.....

31. If no, why? (Please explain)

.....
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.....

32. Have you experienced any challenges in applying the skills learnt through the training?

Yes No

33. If yes above, please list the challenge(s) below.

.....
.....
.....
.....

34. Please suggest how the challenges identified in 3.4 above can be addressed.

.....
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.....

35. Would you say the performance of your scheme has improved because of your training?

Yes No

36. Explain your answer above.

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.....

37. Have all trustees in your scheme undertaken the course?

Yes No

38. If no, how many are remaining?

.....

39. Does your scheme have a training plan to have the remaining trustees trained?

Yes No

40. Please explain your answer above.

.....
.....
.....
.....

41. Apart from pension is there any other product a member would benefit from the scheme after retirement?

Yes No

42. If yes above, please list the products below.

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.....
.....

43. Kindly rate the level of quality of interaction with service providers after the training.

Excellent Very Good Good Poor

44. Kindly state whether you have the following documents in place before and after the training. (Yes or No)

	Policy/Committee	Before the training	After the training
1.	Investment policy		
2.	Funding policy		
3.	Benefits policy		
4.	Code of Ethics policy		
5.	Communication policy		
6.	Pensions Committees		
7.	Procedures for selecting service providers		
8.	Remuneration policy		
	Any other (Specify)		

45. List any other policy or document put in place to guide in the operations and management of the scheme

.....

46. Kindly rate your level of satisfaction with the management of your scheme in the following areas.

	Function	Very Satisfied	Satisfied	Not Satisfied
1.	Oversight and monitoring			
2.	Pension management			
3.	Compliance with legislation			
5.	Plan funding			
6.	Asset management			
7.	Benefit administration			
8.	Information and reporting requirement			
9	Communication			

47. If not satisfied kindly mention areas of improvement.

.....

.....
.....

48. Trustees play a very important role in pension schemes management. Should they be paid for this work?

Yes No

49. If yes above, how should they be paid?

- i. A sitting allowance
- ii. A salary
- iii. A salary and sitting allowance
- iv. Other (Please specify)

.....
.....
.....
.....

50. If no in question 48, please explain why trustees should not be paid.

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.....
.....

51. Trustees are required to hold at least four meetings in a year. Is the number of the meetings adequate?

Yes No

52. If no, explain.

.....
.....
.....
.....

We appreciate your patience and time. Retirement Benefits Authority wishes to thank you once more.

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