



Retirement Benefits Authority

Safeguarding your retirement benefits

FINAL PAPER

**THE EFFECTIVENESS
OF ANNUAL GENERAL
MEETINGS FOR
RETIREMENT
BENEFITS SCHEMES**

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Acronyms

AGM- Annual General Meeting

RBA – Retirement Benefits Authority

NSSF- National Social Security Fund

ABSTRACT

An AGM is a meeting that is mandated by law to be held after every year by all schemes registered under the RBA Act. It is a meeting convened by trustees of the scheme for the general benefit of the members of the scheme. It is important to evaluate the effectiveness of the process of holding AGM's for schemes in Kenya. Over the years, the number of individuals attending the meetings has been reducing with many trustees sighting low turnouts to the annual events. For members to receive a good return on their investments, measures have to be taken to guarantee expenses associated to the meeting are kept to a bare minimum without losing sight of the statutory requirements necessary for holding the meeting. Important to note are views from members that would ensure more participation and increase the level of turnouts in meetings. Also, other modes of communicating to members on scheme performance are examined in the paper though not in detail.

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1.0 INTRODUCTION

1.1 Introduction

An Annual General Meeting, commonly referred to as an AGM, is a formal meeting which is held once a year. It is a legal requirement for all the schemes registered under the Retirement Benefits Authority (RBA) to hold these meetings. According to the RBA Act, it is a requirement for all schemes registered under the RBA Act to hold an AGM each year and not more than fifteen months shall elapse between the date of one AGM and that of the next. It is the mandate of trustees to convene AGM's to enable members raise any matters pertaining to the scheme. Other than annual general meetings, the regulations further mandate the board of trustees to call for meetings and to meet at least 4 times in every financial year and not more than 4 months should elapse between the date of one meeting and the next.

The AGM shall be held at a company's registered office or a place determined by the board of trustees. Notices shall be given indicating the venue and time of the meeting not less than 14 days before the meeting is held (RBA Act, Chapter 197). The notices are put in places accessible to all the members of the organization. Apart from the rules and regulations, each individual organization should have a section of its constitution which deal with AGM's that give guidance on how AGM's should be run and what matters should be dealt with. For these meetings to be legal minimum agenda for the meetings are adopted.

The minimum agenda or requirements are prescribed by the Occupational Retirement Benefits Regulations 2000. The minimum agenda for the meetings according to the Occupational Retirement Benefits Regulations 2000 shall comprise but not limited to:

- a. A report on any changes to the benefits and contribution structure
- b. A report on Audited accounts
- c. A report on investments

- d. A report on remuneration of trustees and
- e. Questions from members

After the registration of members, members are called on to adopt the agenda of the meeting which contains the apologies of members absent, minutes of the last meeting and matters arising derived from the minimum agenda set out in the regulations. It is up to the chair and the secretary to accept or reject any items of business for inclusion in the agenda. Once this is adopted, the chair person's and treasurer's reports are read out and members invited to approve the documents as accurate records of the year's events. Members who are present agree to appoint an auditor for the upcoming year while also electing office bearers. The election is conducted where there is a need for an election due to the terms of trustees ending or where members call for replacement of existing trustees. This is followed by any other business that might be put on the floor with the consent of the board of trustees.

Documentation is important for purposes of recording what transpired in the meeting. The secretary to the board of trustees takes minutes which are written in the minute book and stored in a place where they can be accessible to all members for scrutiny. It is a general practice for trustees while sending out meeting notices to attach annual accounts of the scheme. Submission of returns is also a requirement under the RBA Act where the trustees are required to send audited annual accounts to the authority six months after the financial year end. The same accounts are shared with the members of the scheme in the meeting.

It is the duty of the trustees to ensure that the meeting addresses the minimum requirements described above. Other important procedures that might be relevant may be carried out with the agreement of both board of trustees and members. An example is where service providers are invited to make presentations on sector performance during the year. The meetings also form a platform of educating members of the organizational activities.

Other than addressing the minimum requirements in an AGM the trustees should ensure that the costs associated with the meetings are justified. According to the accounts submitted to the authority for the year 2009, the total administrative cost for 969 schemes was 2% of the total fund value of the schemes. While other costs were well defined, costs of AGM's were lumped under other costs and hence it was difficult to determine out of the Ksh.4, 437,544,670.00 what was attributed to meetings only (RBA Database, 2009). The other administrative costs are represented in figure 1 below information from the RBA database on schemes and administrative costs.

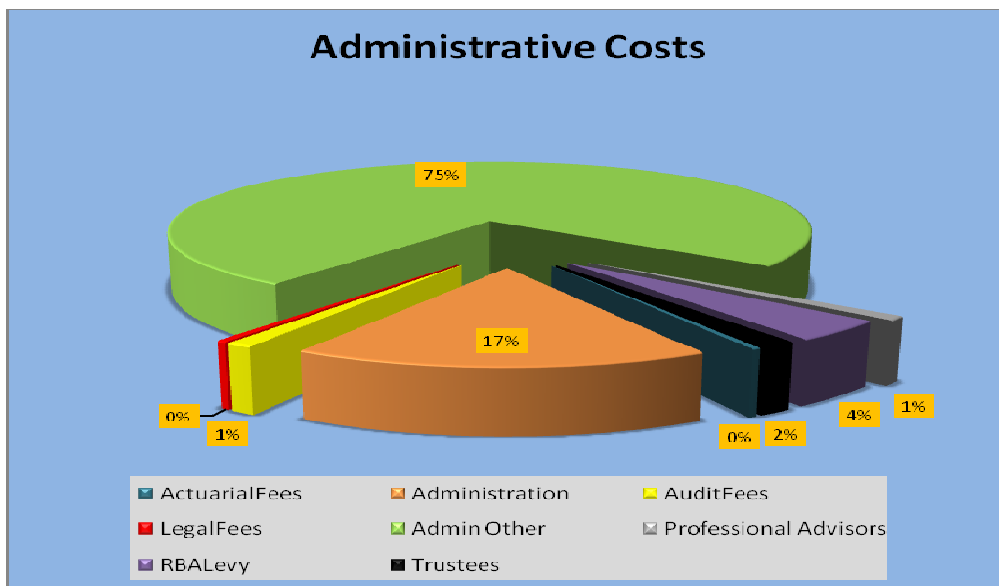


Figure 1: Administrative Costs 2009, RBA

Member attendance in AGM's is paramount and important if the scheme is to hold successful meetings and meet a quorum enough to start the meeting. A quorum refers to the minimum number of members who must be present at a meeting in order to constitute a valid meeting. In most instances the quorum is spelt out in the trust deed and rules. For trustees to hold meetings that are effective to members they need to look at ways of changing the attitudes and encouraging members to attend the meetings.

An AGM is important to members of a scheme since it drives good corporate governance by ensuring members exercise their rights in monitoring, inquiring, and voting in the meeting to ensure trustees act for the best interest of the scheme. It provides an opportunity for members to receive copies of the scheme accounts as well as review fiscal information for the past year and ask any questions regarding the directions the trustees want to take in future. The annual general meeting gives its members, the sponsor and the board of trustees a broad overview of the organization's current directions, financial health and confirms its purpose. It also plays an important role since it enables members meet the service providers who offer insight to the running of their scheme.

1.1 Research Objectives

The specific objectives that were identified for this research were;

1. To examine whether AGM's are held according to the stipulated laws
2. To determine reasons behind the low turnout in AGM's
3. To examine the cost benefit analysis of AGM's
4. Investigate other alternatives of communicating to members other than AGM's

Literature and data relating to this topic is scarce if at all any. In most jurisdictions, the annual general meetings are held only for organizations and there are no meetings for retirement benefits schemes. Due to the unique nature that schemes are formed in Kenya, through trusts and appointment of individual trustees, it is important to have a mechanism where schemes can be monitored and evaluated. The findings of the paper collated from views of members and trustees will be able to determine the objectives of the study.

1.2 Importance of the Paper

The importance of this research paper is to determine policies that the authority can propose to the government to ensure that AGM's are still relevant and member attendance increases. The research highlights remedies on how to reach out to members who do not attend the AGM's and hence increase the number of individuals who attend and actively participate in AGM's. As a regulator it would also be important to note the level of compliance to Law regarding how schemes conduct their AGM's. Using the standards set out in the Law, the researcher will highlight where most schemes fail to comply. The paper will also educate members on how the processes should be carried out effectively.

The findings of the research will assist other researchers in their work in areas that may be in line with this research or those who would like to expound on any of the objectives of the research paper.

1.3 Scope of the Research Paper

The scope of the study will be in the pension sector focusing on the AGM's in Kenya. A critical analysis of the process and its conformance to the RBA Occupational Regulations, 2000 will be conducted on a sample that is representative of the population. In particular schemes that are registered and are large in fund size and membership will be the focus. With a majority of schemes located in the urban centers and nearly 70 percent represented in Nairobi, there will be more representation of schemes in Nairobi.

The paper is organized such that chapter 2 elaborates the research methodology and data collection, chapter 3 addresses the empirical findings of the two distinct groups sampled in the study and the last section chapter 4 makes conclusions and gives recommendations and proposes policy changes emanating from the study.

2.0 RESEARCH METHODOLOGY AND DATA COLLECTION

2.1 Population and Sampling Design

The population of the study comprises of members and trustees of occupational pension schemes in Kenya. According to the Statistical abstract 2008, there were 4,731 trustees and 340,618 members in the occupational pension schemes in Kenya (Statistical Abstract, 2009). 1002 schemes were represented in the statistical abstract out of the 1235 schemes registered by February 2011. The sample was drawn from the list of schemes in the statistical abstract.

This will serve as the most updated version. Since the paper is on AGM's preference is on schemes that have a large membership and are accessible, either in Nairobi or major towns. The list of all the schemes, sample frame, is attached as an annex and will serve as a current, complete and most accurate frame to attain the paper objectives.

Systematic sampling was used to identify the trustees to be interviewed. Further, stratification of the sample was used to ensure that both views from member and sponsor nominated trustees were well represented. With a population of 4,731, a confidence level of 90%, response rate of 50% and a margin of error of +/-5, sample size of 256 was identified (www.relevantinsights.com). A sample comprising 209 trustees, 82% of the response rate was achieved.

In sampling the members of the scheme, the researcher used the AGM's to reach out to majority of the sampled members of the scheme. Due to the time constraint the researcher used the assistance of the officers in the supervision department to disseminate the questionnaires to members in the AGM's they attended. The sample was chosen randomly with a maximum number of 15 members representing each of the schemes. To capture the views of members who do not attend the AGM's, the researcher sent out questionnaires to service providers who disseminated the questionnaires to individuals who never came for meetings. The response rate was poor owing to the fact that most of the questionnaires had not been returned by the cut off time.

2.2 Data Collection Tool

A self administered instrument was used to determine the specific objectives of the study and look at interventions that may make AGM's more important hence increase the turn outs in the meetings. The instrument chosen was a questionnaire divided into five distinct sections, the first section addressing general information of the scheme and respondent while the other 4 sections addressing each on the specific objectives of the study. There were 2 different questionnaires developed to capture the views of members and trustees of schemes.

Different types of questions such as the open ended, closed ended and likert scale questions were used to ensure quality information was collected. In observing the setup and the process of AGM's, a check list listing all the statutory processes was used to determine whether or not schemes were in compliance with the minimum requirements of holding AGM's. The research also used RBA Act and Regulations among other published materials that were relevant to the study as secondary data.

2.3 Validity and Reliability of the Questionnaire

The questionnaire's content validity was guaranteed by the inclusion of items that were supported by literature review. The minimum requirements and roles of trustees in carrying out AGM's are well documented in the retirement benefits regulations. The questions were carefully selected to be able to address the specific objectives of the study. The questionnaire was pre-tested to members of the RBA to ensure that all the questions were reliable and would meet the objectives of the study.

2.4 Data Analysis Methods

Data was collected, cleaned up and organized in a manner easy to capture. A data base was then created where all data was inputted for purposes of analysis. Descriptive statistics was used as a method of analyzing in the study. Univariate analysis such as the normal distribution, central tendency and dispersion were used to describe the outcome of the research. Bivariate analysis was used to look at the cost benefit analysis of the scheme annual general meetings. Using cross tabulations in SPSS the researcher identified certain aspects of study that were interrelated such as what determined a good turnout in AGM's and what were deemed important to members to attend the meetings. The findings are represented in graphs such as bar charts, pie charts and line graphs depending on the most appropriate graph.

3.0 FINDINGS AND LIMITATIONS OF THE RESEARCH

3.1 Sample Population and Sample Size

The research paper targeted 256 trustees from a population of 4754 trustees according to the RBA data base. The sample size was determined by a research tool developed by Relevant Insights, an organization which specializes in market research worldwide. The sample size was stratified into two groups to include the member elected and sponsor elected trustees. The aim of the stratification was to see whether there was a difference in opinion between the member elected and the sponsor elected trustee.

To be able to get a better response rate, the researcher sent out 330 questionnaires to the different trustees in the country. These included 254 mailed questionnaires to 198 schemes in Nairobi and 56 schemes in other towns mainly in Mombasa, and the rest were administered to trustees during the trustee trainings in Nairobi and Mombasa. From the target of 256 trustees, a total of 209 questionnaires were completely filled and used for analysis representing 81% response rate.

The research also targeted members who are the reason why AGM's are held for their views and opinions. The population of study was 298,742 contributing members as stated in the statistical abstract. The sample size according to the statistics tool was 270 members of schemes. Random sampling was used to identify the sample size. However to capture the views of those members who never attend meetings, snow balling sampling technique was also carried out.

The researcher used AGM's and other functions of the authority to administer the questionnaires. From the targeted sample of 270 only 153 questionnaires were completely filled and used for analysis representing a 57% response rate. It is suggested that further questionnaires should be sent out to members for a representative sample and generalization of the results. The findings of the paper are divided into 2 sections, the first highlighting findings from members and the second findings from trustees. Further analysis is done to determine whether there are any similarities in the member and trustee findings.

3.2 General Findings of the Paper

3.2.1 Members Responses

Private companies were mostly represented by the members of schemes with a 60% representation of the total number of members with more than 60% of them been in a defined contribution scheme. Figure 2 shows how each of the different organizations relates to the type of schemes with most schemes in the private sector being defined contribution schemes.

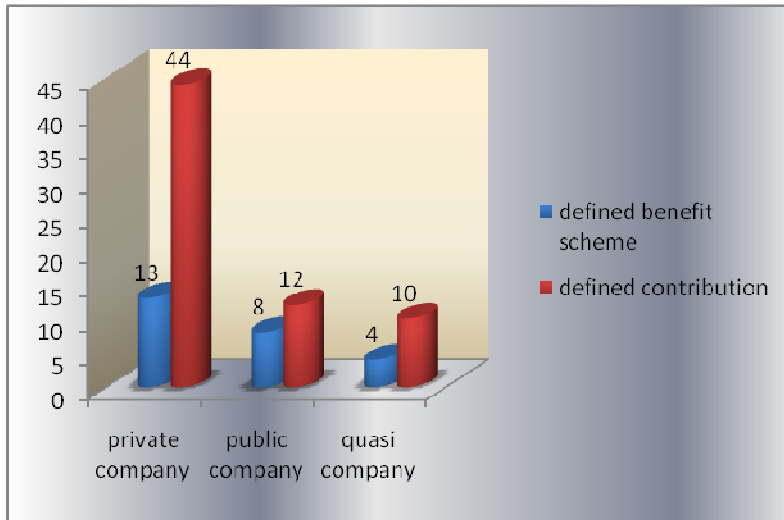


Figure 2: Organization versus type of scheme members are Registered

From the total members who responded 68% of them had stayed in the scheme for more than 5 years with 40% of the individuals having stayed in the scheme for more than 10 years. This increased the likelihood of the members in attending the AGM's with 77% of the respondents answering in the affirmative that they did in fact attend the meetings. However in the frequency of attendance, only 58% of individuals actually attended the meetings every year as exemplified by the figure 3 below.

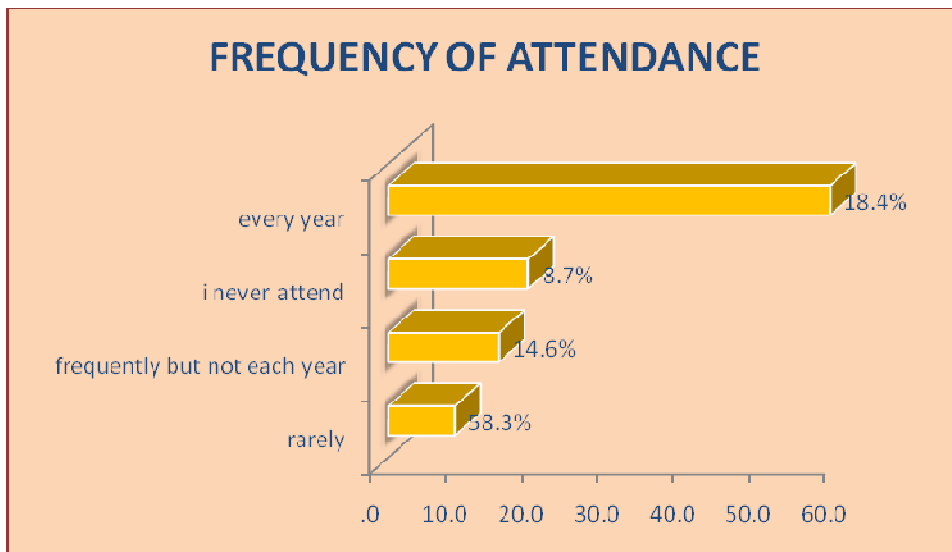


Figure 3: Frequency of Attendance of members

87% of members of schemes attended AGM's to be able to monitor the performance of the scheme and learn the developments of the Industry. Majority

were concerned with the financial status of their scheme. When asked the reasons for the lack of participation in the AGM's majority, 53% sighted the lack of invitation and receiving the notices late. Also, 30% of the members sighted commitment to work as a reason for not attending the meetings. Many members sighted that the meetings should be held away from work where they would be able to concentrate on the meeting rather than work.

A cross tabulation was also done to show the association between how often a member attended AGM's and the duration of membership. However, due to the limited sample size no chi-square interpretation could be given. From the sample used, however, you can conclude that members in their early years of membership were highly likely to attend AGM's, with those who were members for 1-5 years attending impressively. As they continued to stay on in the scheme, their attendance greatly reduced with those that stayed in the scheme for more than 11 years poorly attending the AGM's.

98% of members affirmatively answered that it was important to hold AGM's as depicted in figure 4 below. The majority of individuals said that the meetings were important since they were able to get updated on the scheme performance and the developments of the industry through the presentations of the different service providers. 14% of the members were of the opinion that AGM's encouraged corporate governance in schemes by improving transparency in the schemes. However, 29% of individuals while agreeing that the AGM's were important said that the meetings should be less frequent than they were hence in instances rendering them ineffective.

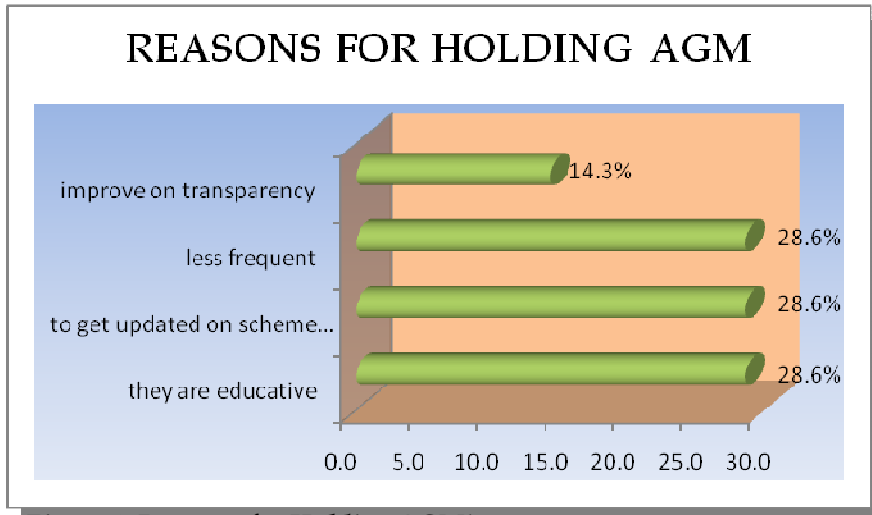


Figure 4: Reasons for Holding AGM's

When members were asked the reasons why they attended the general meetings 18% pointed out they wanted to familiarize themselves with their pension benefits. Combined 30% of members attended meetings depending on the agenda of the meetings and to enquire on the performance of the scheme during the year as represented below. Some of the reasons given for not attending the meetings were the timing of the AGM, 22%; commitment to work and venue of the meeting, 18%; and the repetitive nature of AGM's, 16%.

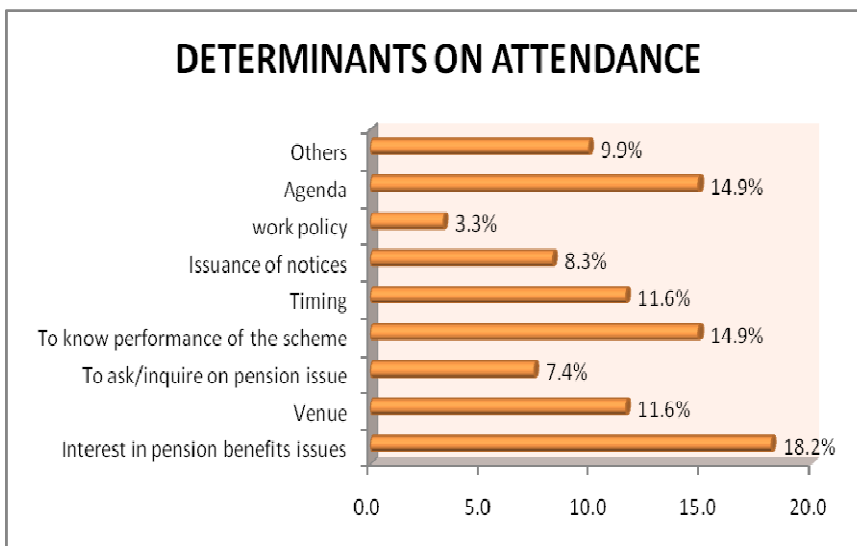


Figure 5: Determinants of Attendance of AGM's

3.2.2 Trustees Responses

Similarly to the members most trustees were from the private companies with a 65% representation of the total respondents. The other trustees came from the public companies, quasi government and other institutions such as Non-governmental organizations and churches represented by 10.7%, 14% and 10% respectively. The majority of private companies were represented by the member elected trustees with 65% of the total respondents represented as represented in the figure below.

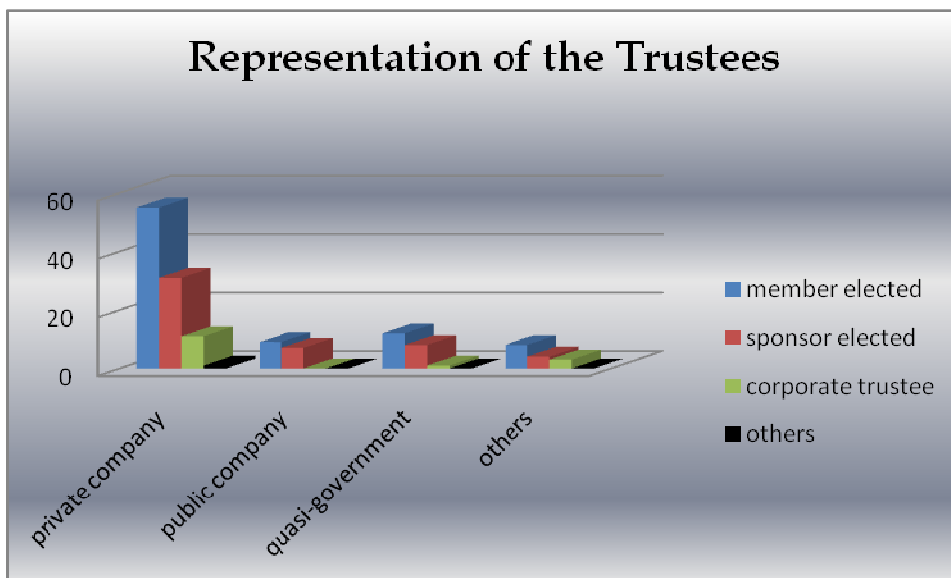


Figure 6: Organization Type against the Type of Trustees

Out of the total trustees who responded there were 84 member elected trustees, 50 sponsor elected trustees and 15 corporate trustees. In all the categories, majority of the trustees had been trustees for more than 1 year but less than 3 years as trustees of the scheme represented in Figure 7 below.

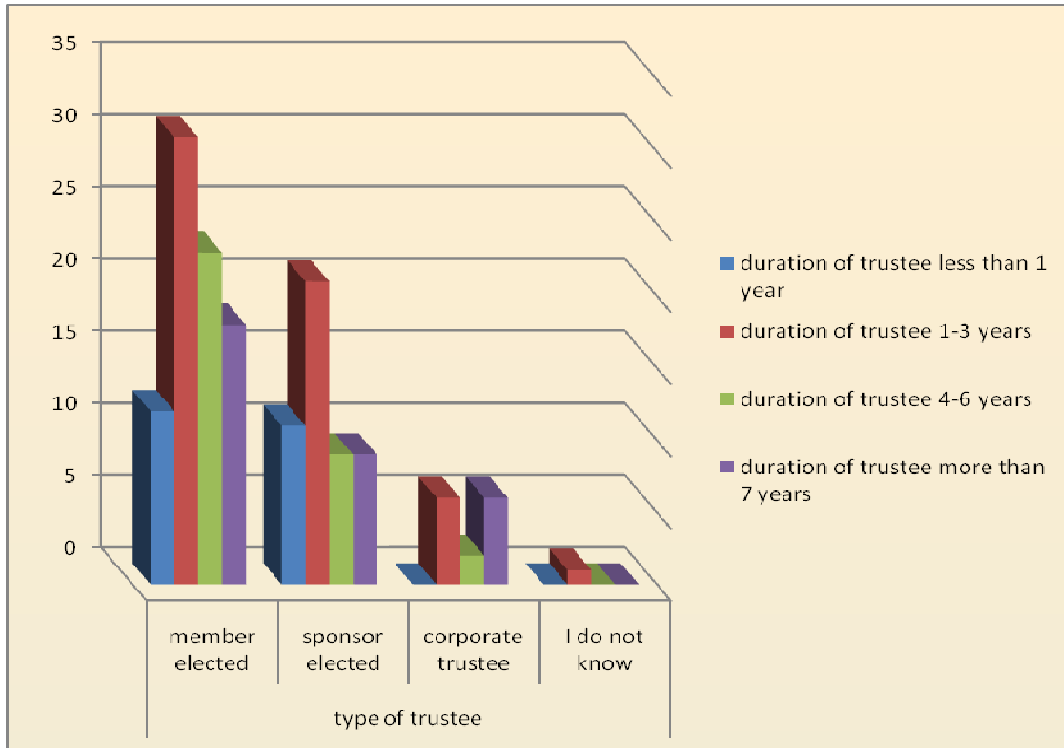


Figure 7: Type of Trustees and Years of Service

Like the members, majority of trustees felt that meetings were important with more than 95% answering in the affirmative. 59% of the trustees thought the meetings were important to ensure accountability to members while 16% thought it was a good way to get member views on how the scheme could be run more effectively to satisfy scheme members. Almost all the trustees of the schemes, 90%, held their scheme AGM's every year. Trustee meetings were very common with 51% of the respondents sighting that they held their meetings frequently and 30% holding them occasionally.

97% of the respondents were aware of their role as trustees with a majority of them having been trustees for more than 1 year. 65% of the respondents had actually been trustees between 1 year and 3 years. It is interesting to note that majority of trustees have skills in management in the field of Finance and Accounting.

3.3 Procedures held in Annual General Meetings

3.3.1 Member Responses

20% of members who responded to the question said that they never received any notices calling the meetings. Of the 80% who received the notices, 37% received the notices before the stipulated 21 days with 21% of members at least receiving the notices two weeks before or a week before the meeting. The agenda for the meeting and the annual report are core documents for purposes of carrying out an effective meeting. However, the responses from the members show that the documents are the least circulated before the meetings with 43% of the members not getting the agenda for the meeting and 40% not receiving the annual accounts of the scheme. Board notices and emails were the most preferred means of communication to the members with the list mode been that of print media.

An open ended question was used to test the knowledge of the members on the minimum requirements for a meeting to be held successfully. The most common procedure mentioned by members at 98% was the presentation and adoption of annual accounts. Other procedures that were common to members was the reading of previous minutes and the adoption of the minutes and matters arising with 53% and 48% of members respectively noting the processes down. This has a positive correlation to what members view as important to meetings. While majority went to meetings to be able to monitor the progress of the scheme and look at the accounts of the scheme, they also mentioned the presentation and adoption of annual accounts as one important process.

3.3.2 Trustees Responses

Linked to the understanding of trustees roles, majority of AGM notices were sent out before the stipulated period of 21 days. 44% of the trustees confirmed that the notices were sent out 3 weeks in advance while 29% of the trustees sent out notices to members a month in advance to the date of the meeting. There was a very good disclosure in where the meeting or venue of the meeting would be

held, the agenda items, and the annual report of the scheme. The list of members was not well disclosed to members with only 75% of the trustees agreeing that there was a disclosure to the list.

According to trustees the most preferred mode of communication to communicate to members of the scheme was through board notices with a majority 43% of the board trustees using them followed closely by use of emails at 37% as exemplified in figure 8 below. The use of television, radio and print media were not common. Important to note is the growing use of telephone services, in particular the use of SMS services used to communicate to members which represented a large percentage of the other which was at 15%.

A cross tabulation between the expected attendance and the method of communication was done which showed that where board notices were issued the attendance of members was excellent with more than 90% of members expected to attend.

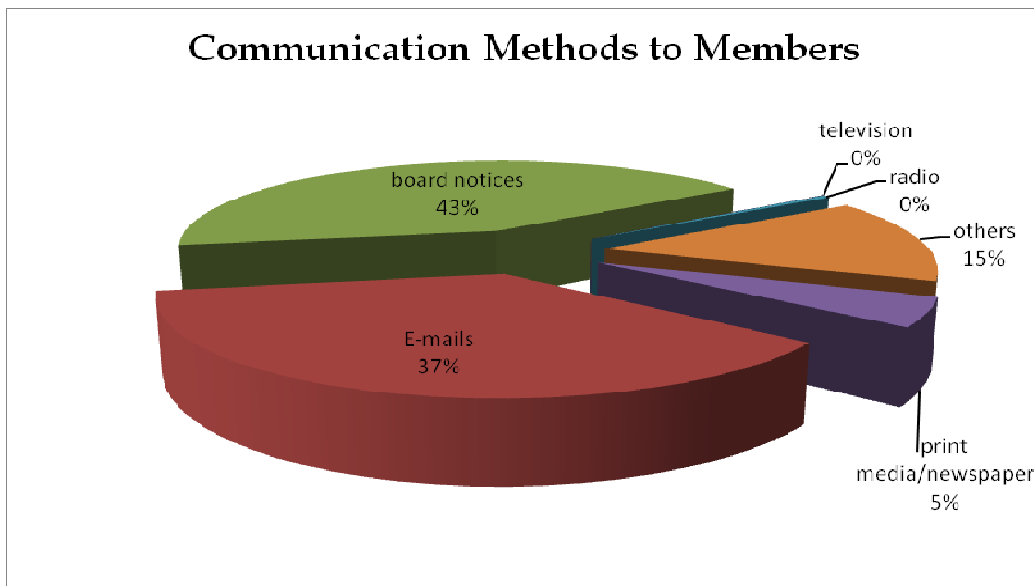


Figure 8: Mode of Communication used

Using a likert scale, the researcher enquired on the importance of all the mandatory requirements or the minimum agenda to be conducted in an AGM. The trustees were required to indicate the importance of each of the procedures

to the members of the scheme using 1 as not very important and 7 as been extremely important. Ranked extremely important were the chair, treasurer and auditor’s reports all with a mean score of 6. Ranked the least important procedure was the presentation of the guest speaker at 4 with many sighting it as a way to attract quorum. The importance of the procedures is presented below in figure 9 shows.

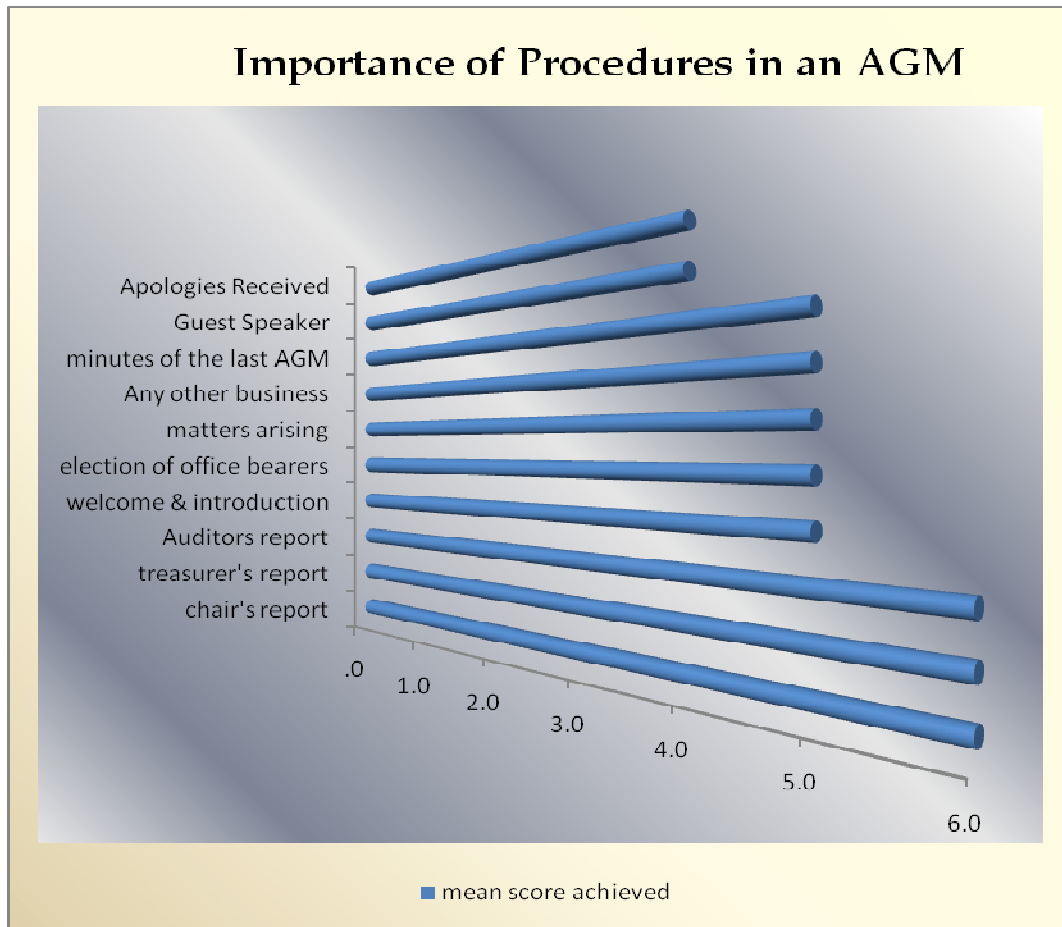


Figure 9: Importance of Procedures in a Meeting

The major challenge experienced by trustees in organizing the AGM’s was ensuring that there was a quorum of members attending the meetings. 43% of the respondents indicated low turn outs in the AGM’s as the greatest challenge. Other challenges were fixing the date of the meeting 14.8%, costs associated to the event 8% and in accessibility to all members due to widespread membership of the scheme. Surprisingly, some of the trustees mentioned that some challenges

were due to member lack of understanding of what the meetings were about and hence many opted not to attend the sessions.

3.4 Member Attendance to Meetings- Low Turnouts

3.4.1 Members Responses

According to members sampled, 67% of them indicated that attendance in their AGM's was very good, with more than 70% of members participating. An analysis was done where the attendance was compared to the importance of topics in the agenda. Again where issues of transparency and accountability came in, the attendance was more. The reading and consequent adoption of the accounts was one of the factors that increased the percentage of members in attendance. Figure 10 shows a summarized representation of the activities and the subsequent attendance in each of the activities.

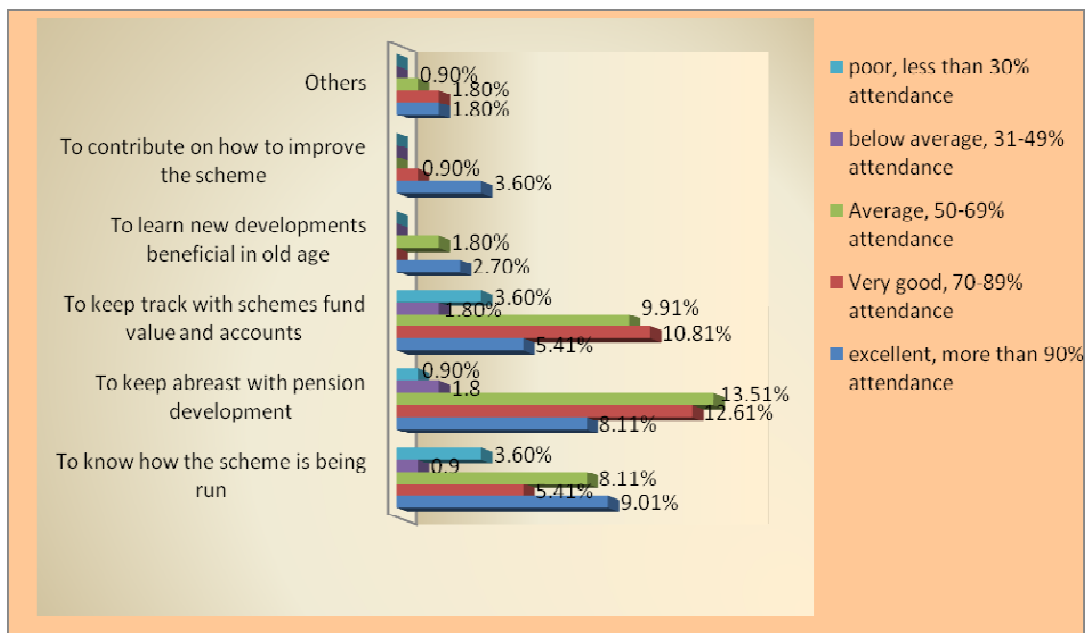


Figure 10: How different activities influence attendance

One of the key factors of success in the number of members attending is the awareness and understanding of the members to the scheme affairs. Where members were well knowledgeable, there was likelihood that the attendance would be high. 66% of the members who attended the meetings said the reason

why they attended the meetings was to get more information on their scheme and the industry at large while 18% of the trustees indicated that the key factor of attendance was the member awareness of the scheme affairs.

3.4.2 Trustees Responses

According to trustees, the attendance of members was very good with more than 60% of the trustees indicating that the meetings had a very good attendance that is more than 70% attendance of members in meetings. Using cross tabulations, the likelihood of an excellent turn out, according to trustees, is possible when notices are sent out 2 weeks before the AGM. This can be attributed to the fact that in 2 weeks one would not forget while at the same time it gives one ample time to prepare and diarize the date.

An analysis was conducted where the views of the members were cross tabulated to those of trustees to determine what members thought was important to be given in the meetings. In figure 11, the data labels represent the number of respondents in each of the questionnaires. Awareness and interest in pension schemes was ranked the highest by both members and trustees as the most important in holding successful meetings.

Other things that were important for members to attend general meetings were the appropriateness of the time and location where the meetings were held, the attendance of service providers and prior communication of the date to the meeting. Surprisingly the attendance of members to meetings was also determined by the trustees in management of the scheme. Select few said that in cases where they felt the trustees were capable of the task enough and were transparent they need not attend the meetings.

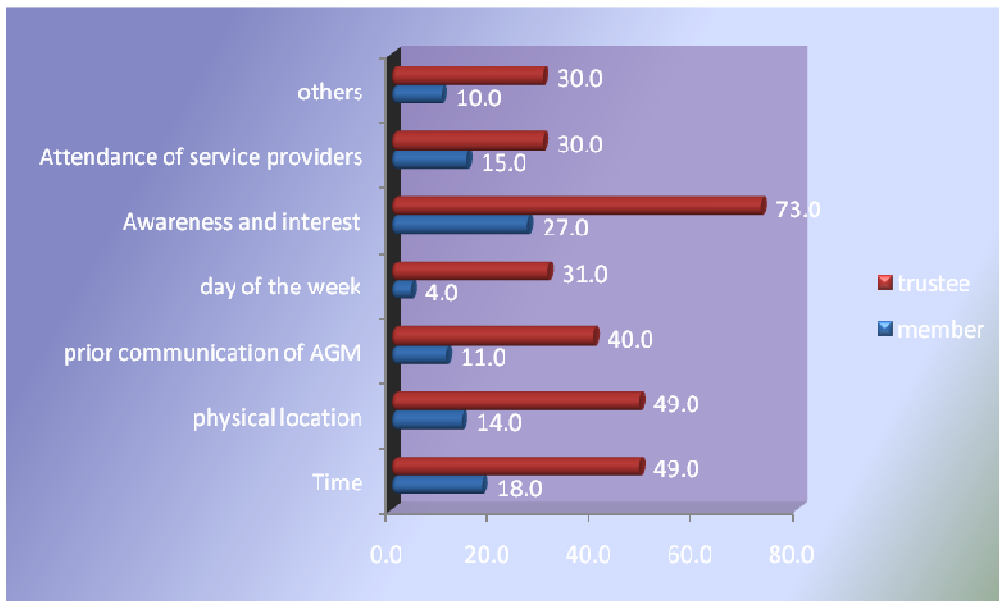


Figure 11: Most important for a Successful Meeting

3.5 Costs Associated with Annual General Meetings

3.5.1 Members Responses

One of the objectives of the paper was to investigate the costs associated in holding the meetings and whether this cost was justified according to members. 69% of members thought that trustees of schemes are prudent in their spending while arranging for the annual general meetings. Furthermore 81% of members thought the costs for the meetings were justified. This is a good indication that members have faith in how their trustees administer their schemes. When asked why they thought that the costs were justified, majority of the members, 52% said that the costs of the AGM were greatly outweighed by the benefits of the meeting to members. Many said that through the meetings they were able to know their accrued benefits and know the financial position of the scheme.

24% of the individuals thought that the costs were justified since the meetings did not incur a huge financial expense. 10% of the respondents pointed out that the meetings were held in the organizations' premises hence reducing the costs associated with holding the meeting. A number of members however, were of the

opinion that the administration costs should clearly show the expenses incurred in holding the annual general meetings.

3.5.2 Trustees Responses

Trustees were also asked to approximate the costs associated with the venue, printing of annual reports and any other booklets provided to members, provision of food and beverage and travel allowances, hotel reservations and any other give a ways given to members. In the analysis majority of the costs were borne by the employer/sponsor of the scheme with an exception of food and beverage where only 38% of the respondents indicated that they relied on the sponsor to cover for these expenses.

Less than 35% of respondents indicated that they used more than 10,000 in organizing and paying for the meeting. On average, the total AGM cost was less than 5 percent of the total administrative costs with a majority of trustees, 52%, indicating that the costs of the meeting were borne by the sponsor of the scheme.

As figure 12 shows the majority of the schemes, despite the type of organization, the costs were sponsored by the employer or the founder of the scheme. However, the schemes which were privately owned were less likely to spend more in meetings. Majority of the respondents indicated that the schemes AGM's cost them less than 5% of the total administrative costs.

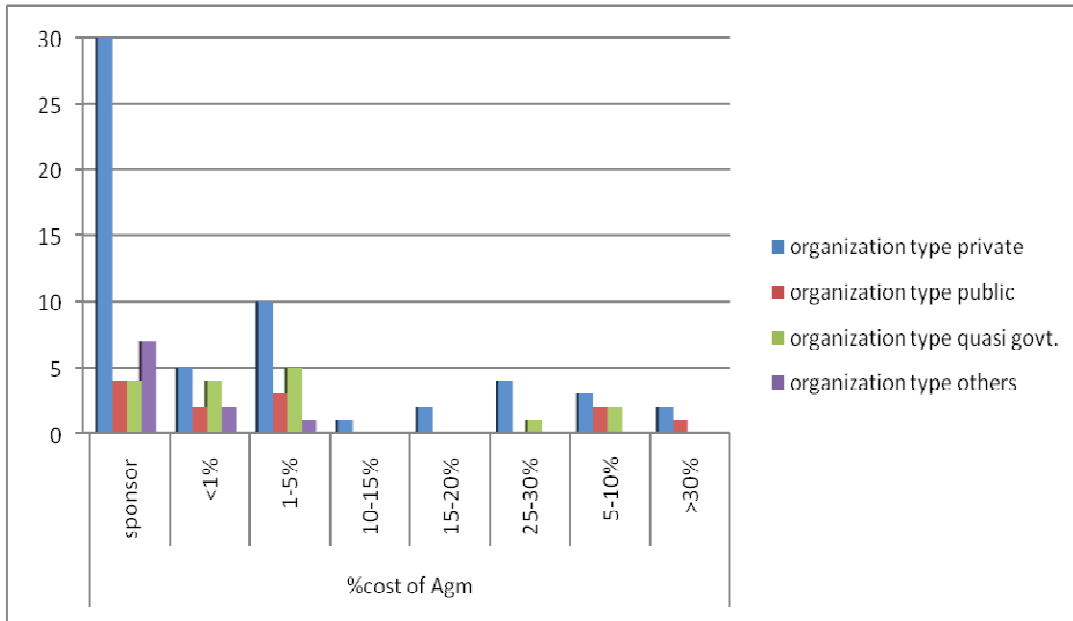


Figure 12: Cost of AGM as a % of Total Administrative Cost

3.6 Alternatives of Communicating to Members

3.6.1 Members Responses

Members of schemes were asked to identify other methods that trustees effectively reported to them on the scheme performance and administration of the scheme. As depicted in figure 13, more than 20% of the members indicated that trustees used member education days (MED) to educate and sensitize members on the scheme performance. Another mode of communication that was popularly used was emails sent out by the board of trustees to members.

On a comparative basis, members thought that while other methods were informative and welcomed, none was elaborative enough to replace the AGM's. Majority of members, 89% mentioned that they would still compel their trustees to hold the meetings if the meetings were made voluntary to hold.

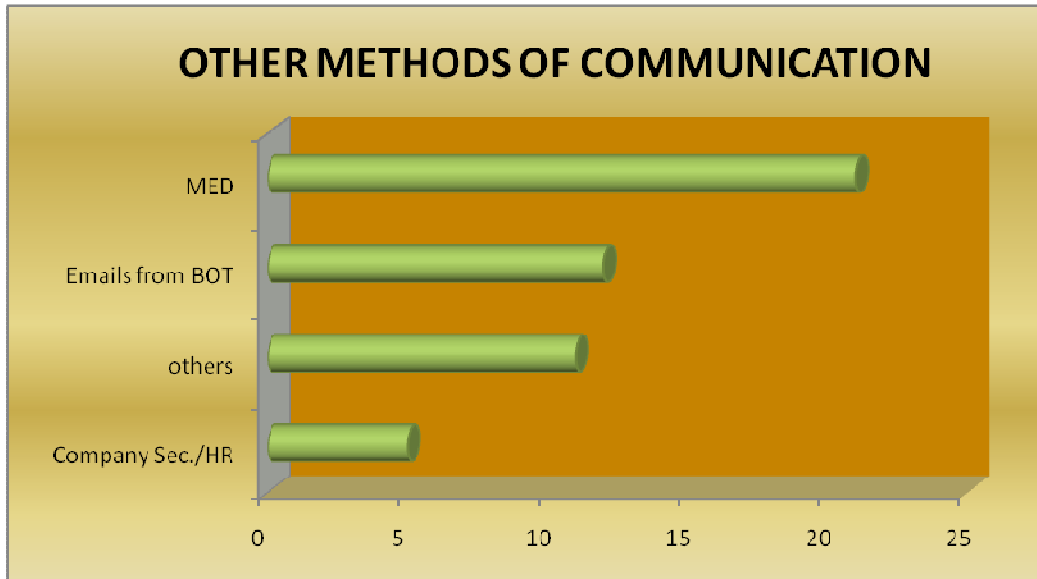


Figure 13: Other methods of communication to Members

3.6.2 Trustees Responses

Similarly trustees were asked to indicate alternatives that they used to communicate to members on scheme performance and administration. Most preferred method used was through the member education days and through circulation of material through the email to staff. In those schemes with more than one branch, the use of emails and printed booklets were commonly used. Booklets or pamphlets were widely used where the summary of reports would be contained and write ups on the industry also been included. From the personal interviews, trustees said that pamphlets were important since it gave members reference points where they could access information any time they needed it.

Scheme trustees preferred AGM's since they were able to gather views from the members in attendance in the meetings. It was also possible for them to pass resolutions that were popular to majority of the members. Another reason given by trustees on holding AGM's was that it was a forum where they would be held accountable and prove their transparency to members of the scheme.

3.7 Importance of AGM's

Almost all, 98% of members said that AGM's were important to have for retirement benefits schemes. Some of the main reasons given by the members on the importance of the meetings was that it enabled them know how the scheme was performing and more so their benefits in the scheme. Many of the members sighted that the meetings provided an opportune time where their views would be heard and where necessary question the management of the scheme. 68% of members said it was a good way for trustees to show their accountability and transparency in the scheme affairs. Members who had stayed in the scheme for more than 1 year and less than 5 years sighted education and sharing of information as most important in holding AGM's.

In terms of the importance of the AGM's, 151 trustees felt that AGM's were very important for schemes to hold. The main reason given for schemes to hold AGM's is that it enabled accountability to members of the scheme. 16% of the trustees were of the view that the meetings enabled members keep track of the scheme and also acted as a way for them to give feedback to them on how the scheme would be ran effectively. The annual general meeting is one way of ensuring that schemes practice good corporate governance. Other reasons given for the importance of holding general meetings was to ensure that members were well aware of their benefits and any changes that affected the benefits sector.

3.6 Limitations of the Research

The greatest limitation of the research was lack of literature on Annual general meetings. Worldwide it is not a common practice for pension schemes to hold annual general meetings since the members are well educated and the systems well mature that feedback and general correspondence is done frequently. The nature of how schemes are formed in Kenya also necessitates the use of AGM's to inform members. In other countries AGM's are generally conducted for audit of public companies and any other private companies that see it fit to hold the

meetings. The researcher used the guidelines provided in the RBA regulations to determine trustee responsibilities, minimum requirements in holding annual general meetings and other guidelines provided by RBA for purposes of holding these meetings.

Another limitation of the study was the low response rate achieved especially while sampling out the members of the schemes. Out of the targeted 270 members, only 151 questionnaires were used out of the 164 questionnaires collected representing a 56% response rate. The response rate from trustees was better with 81% response rate been achieved. Out of the targeted 256 trustees, the researcher was able to collect 209 questionnaires for analysis. Apart from the major towns, that are Nairobi, Kisumu and Mombasa, there were no questionnaires returned for the other towns. However, the data base in use has to be updated since most of the questionnaires had to be sent out again having not reached the trustees the first time.

4.0. CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

From the sampled trustees, majority, 97% of them understood their role as trustees of the scheme having played the role of a trustee for more than 1 year. It was evident that most schemes now require a professional as one of the trustees where many of the trustees who were questioned having come from a background of Finance or Accounting. Both the members and trustees who were sampled agreed that Annual General Meetings were important for schemes to hold for purposes of accountability and good corporate governance. Majority of members also said AGM's were necessary since they were able to keep track of their benefits and learn about the changes in the industry through the meetings. On the other end most trustees said it was the only time that members critically scrutinized their balance statements and asked questions about the scheme.

When asked how many members attend the general meetings, 77% of the sampled members answered that they indeed attended the meetings. There was an average attendance in terms of quorum in most of the meetings with more than 60% of those who answered indicating that the attendance was more than 50% of the members of the scheme. On a personal basis, the individuals who were members for more than one year but less than five years marked exceptional attendance to meetings with most attending the meetings yearly. However there was a negative correlation between the membership years and the attendance to the meetings, as one stayed longer than 5 years they would rarely attend the meetings. Asked whether they would hold the meetings if they were not statutory, majority 81% of the members said that they would request their trustees to ensure that the meetings are still held.

Almost all the trustees of the schemes held their scheme AGM's every year with a record of 90% indicating that they held the meetings every year. From the analysis it was evident that the trustees were well aware of the rules and regulations and most if not all complied with them. Interesting to note is that when the same were asked whether they would hold the meetings even if they were not mandatory, majority answered in the affirmative. Majority of the trustees, 51% held their regular meetings frequently. There were more than 30% of the trustees who felt that the process was monotonous and need not be carried out after each year.

In assessing whether members understood the processes involved in meetings, the members were given the opportunity to highlight the processes down. Majority of those who answered were able to depict the presentation and adoption of the annual accounts, the reading of last minutes and the discussion of matters arising. At 98% of members highlighting the presentation of the annual accounts, it signifies the importance of annual accounts to members. As important as this document is, its circulation was not favorable with more than a third of the sample complaining not to have received the accounts before the

meeting. Moreover, only 37% of the sampled members received the notices calling for the meetings. Similar to the trustees, members preferred communication through board notices and emails.

In holding the AGM's most trustees carried out the mandatory requirements such as sending out notices within the stipulated time of 21 days, where the notice specifically indicate the time, date and venue of the meeting, the annual statements of the scheme and the balance statements to the members of the scheme. The question was seen as subjective since it's the duty of trustees to ensure members receive notices calling the meetings and therefore not very conclusive. Disclosure of the books of accounts for the scheme was well done by the trustees of the scheme.

The attendance of members to the meetings was best when the notices were done within 2 weeks and through board notices. The use of mobile phone services is preferred as another method of notifying members of the scheme especially those schemes that have a dispersed membership base. A satisfaction mean index was conducted to rank what was important to members in terms of laid out procedures and activities important for a successful meeting. Ranked extremely important statutory procedures were the reports from the Chair, the treasurer and auditor's report of the scheme. For the purpose of what was important in carrying a successful meeting an accessible venue, an agenda for the meeting and encouragement from trustees for member participation were the most important attributes to members to hold a successful meeting.

While most respondents indicated the attendance in meetings was more than 70%, where they were asked to indicate the challenges they faced, getting a quorum for a meeting was ranked as the hardest challenge in arranging for a meeting. In the observations made, most members did not keep time in attending the meetings and for those in attendance majority left in between the meeting. Some of the reasons given for the walk out were meetings were so structured

such that they would become predictable through the years and that there was no new knowledge to share. Where members were knowledgeable, the likelihood of attendance was high.

Presentation of the annual accounts was the most important element necessary for a scheme to hold an effective annual general meeting. This can be linked to the fact that members are most concerned with how the scheme is performing and in essence the benefits they will derive. All trustees felt that the annual general meeting should have the annual accounts read to the members for them to be able to know the status of the scheme. This was to be done together with the auditor's report which would highlight the financial status of the scheme.

Through the research most of the costs associated in organizing and holding the annual general meeting are borne by the sponsor of the scheme. Majority of the schemes pay for the costs of food and beverage with 62% of the respondents indicating that the costs were not catered for by the employer or the sponsor of the scheme.

On average, the total administrative cost associated with AGM's for all the organizations whether private or public were less than 5 percent with a majority of trustees, 52%, indicating that the costs were borne by the sponsor of the scheme.

4.2 Recommendation

1. Majority of members who responded were not clear on the minimum requirements that were to be carried out in a meeting. Only 37% of members received notices calling for the meetings thus reducing the number of individuals attending the meetings. **Trustees should be educated and sensitized on their responsibilities in convening and carrying out the meetings to ensure statutory requirements are followed.**

2. The research shows that when the meeting notices are sent out 2 weeks in advance and in form of board notices there is a greater attendance of members. The accessibility, agenda of the meeting and timing of meetings were also important in holding an AGM. Presentation of the financial reports was of more importance in the satisfaction index carried out by members of the scheme. **A good turnout in a meeting is achieved when trustees hold meetings in accessible places, preferably the registered offices, convenient timing of meetings, encourage participation from members and concentrate on presentation of the financial reports.**

3. The costs associated in holding a general meeting are minimal compared to the benefits that the meetings provide to members. In the analysis most of the schemes used less than 5% of the total fund size as administrative expense. Trustees said that the cost of AGM's was less than 5% of the total administrative cost with major expenses been borne by the employer/sponsor of the scheme. **Scheme trustees should be prudent in their spending and should leverage on sponsors to burden the costs of AGM's.**

ANNEX I

QUESTIONNAIRE ON THE EFFECTIVENESS OF AGM's FOR RETIREMENT BENEFITS SCHEME IN KENYA (MEMBERS)

The Authority seeks to use the information collected from the research for the improvement and development of the Retirement Benefits Industry. All responses will be treated in confidence. The data collected from these questionnaires will not be used to pursue compliance matters, but only for the purposes stated above. Kindly give clear and candid responses to all questions.

A. GENERAL INFORMATION

1. Is your organization a
- | | |
|--------------------------------|--------------------------|
| Private Company | <input type="checkbox"/> |
| Public Company | <input type="checkbox"/> |
| Quasi- Government Organization | <input type="checkbox"/> |
| Others?Please specify..... | |

2. Is your scheme a
- | | |
|-----------------------------|--------------------------|
| Defined Benefit Scheme | <input type="checkbox"/> |
| Defined Contribution Scheme | <input type="checkbox"/> |
| Hybrid Scheme | <input type="checkbox"/> |
| I do not know | <input type="checkbox"/> |

3. How long have you been a member of your scheme?
- | | |
|--------------------|--------------------------|
| Less than 1 Year | <input type="checkbox"/> |
| 1- 5 Years | <input type="checkbox"/> |
| 6- 10 Years | <input type="checkbox"/> |
| More than 11 years | <input type="checkbox"/> |

4. Do you attend the AGM's for your retirement benefit scheme?
- YES NO

5. How often do you attend the meetings
- | | |
|------------------------------|--------------------------|
| Every Year | <input type="checkbox"/> |
| Frequently but not each year | <input type="checkbox"/> |
| Rarely | <input type="checkbox"/> |
| I Never attend | <input type="checkbox"/> |

6. A) What are your reasons for attending the annual general meetings?

.....

B) What are your reasons for not attending the annual general meetings?

.....

7. Using a scale of 1-5 to represent the level of satisfaction where **1 represents Very Dissatisfied and 5 represents Very Satisfied** indicate your level of satisfaction of the Annual General Meeting of the Retirement Benefits Scheme by ticking the most appropriate box as related to the following statements?

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| The venue for the meetings is conducive and accessible | | | | | |
| I receive the Agenda of the meeting in good time | | | | | |
| The Agenda of the Meeting is comprehensive | | | | | |
| Costs associated with the meeting are justifiable | | | | | |
| Trustees encourage the participation of members | | | | | |
| The meetings are a good forum for learning | | | | | |

B. PROCEDURES FOLLOWED IN AGM'S

8. When do you receive meeting notices?

- Earlier than a month to the AGM
- 3 weeks before the AGM
- 2 weeks before the AGM
- 1 week before the AGM
- They are never sent

9. Do trustees provide the following AGM related documents within a reasonable time to members of the Scheme?

- Venue map YES NO
- Details of agenda items YES NO
- Annual Report YES NO
- List of Members of the Scheme YES NO

10. What mode of communication do the trustees use to communicate to you?

(Tick the most widely used mode of communication)

- Print Media/Newspapers
- E-mails
- Board Notices
- Television
- Radio

Others (Please Specify?).....

11. Mention the procedures that are carried out during the Annual General Meetings?

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C. ATTENDANCE OF MEMBERS IN AGM'S

12. How would you rate the attendance of members in Annual General Meetings?

- Excellent, more than 90% attendance
- Very Good, 70%-89% attendance
- Average, 50%- 69% attendance
- Below Average, 31%- 49% attendance
- Poor, less than 30% attendance

13. In your opinion what are the key factors that influence attendance of members in the annual general meetings?

- (a).....
.....
- (b).....
.....
- (c).....
.....
- (d).....
.....

D. ALTERNATIVES OF ENSURING GOOD CORPORATE GOVERNANCE AND COMMUNICATING TO MEMBERS

14. Apart from Annual General Meetings, how else do trustees effectively report to members on scheme performance and administration?

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15. Are members of your scheme sensitized and educated on developments in the Pension Industry

- YES NO

16. If YES, how do the trustees communicate to members?

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.....

17. If holding Annual General Meetings was not a statutory requirement would you still call for Trustees to hold the meetings?

YES NO

18. Give reasons for your answer?

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.....

E. COSTS ASSOCIATED WITH HOLDING AGM'S

19. Do you think the Board of trustees spend prudently in arranging the Annual General Meeting?

YES NO

20. Are AGM costs justifiable if compared to the advantages they give?

YES
NO

B) Indicate your reasons?

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21. Generally do you think it is important to have AGM's for Retirement Benefits Schemes?

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THANK YOU FOR TAKING YOUR TIME

ANNEX II

QUESTIONNAIRE ON THE EFFECTIVENESS OF AGM'S IN KENYA (TRUSTEES)

The Authority seeks to use the information collected from the research for the improvement and development of the Retirement Benefits Industry. All responses will be treated in confidence. The data collected from these questionnaires will not be used to pursue compliance matters, but only for the purposes stated above. Kindly give clear and candid responses to all questions.

A. GENERAL INFORMATION

1. What type of a trustee are you
Member Elected
Sponsor Elected
Corporate Trustee
I do not know
2. Is your organization a
Private Company
Public Company
Quasi- Government Organization
Others? Please specify.....
3. How long have you been a trustee of your scheme
Less than 1 Year
1- 3 Years
4- 6 Years
More than 7 years
4. Are you aware of your responsibilities and roles as a trustee of the scheme
Yes
No
5. What would you consider to be your area of expertise, and your particular skill set that distinguishes you from your colleagues?
.....
.....
.....
6. How often are the trustee meetings?
Always
Frequently
Seldom
Occasionally
Never

7. How often do you hold your AGM's?
- Every Year
 - Frequently but not each year
 - Randomly
 - I do not know
 - Never had any meetings

8. If your answer to number 6 and 7 are NEVER, state the reasons why?

.....

.....

.....

.....

.....

.....

B. PROCEDURES FOLLOWED IN AGM'S

9. When are meeting notices sent to members?
- Earlier than a month to the AGM
 - 3 weeks before the AGM
 - 2 weeks before the AGM
 - 1 week before the AGM
 - They are never sent

10. Do Trustees fully disclose the following AGM related documents within a reasonable time to the AGM to members of the Scheme?

| | | | | |
|-------------------------------|-----|--------------------------|----|--------------------------|
| Venue map | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |
| Details of agenda items | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |
| Annual Report | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |
| List of Members of the Scheme | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |

11. What mode of communication do you use to communicate to members? (Tick the most widely used mode of communication)

- Print Media/Newspapers
- E-mails
- Board Notices
- Television
- Radio
- Others (Please Specify?).....

12. Please mention how often the following procedures are conducted in the Annual General Meetings by placing a check in the appropriate box?

- 1. Always
- 2. Frequently
- 3. Seldom
- 4. Occasionally
- 5. Never

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| The Agenda is well spelt out and known | | | | | |
| Previous Minutes are Read in the meeting | | | | | |
| Matters arising from the previous meeting are discussed in the meeting | | | | | |
| Presentation of the Annual Report to members | | | | | |
| Disclosure of Trustee Remunerations | | | | | |
| Appointment of an Auditor is done in the meeting | | | | | |
| Members are invited to raise queries | | | | | |
| Presentation by Guest speakers | | | | | |

13. Are there any other procedures, apart from the one's mentioned, which are followed in the AGM's you hold?(Mention in Detail)

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14. Are there challenges that you face as a committee of trustees in arranging for AGM's?

YES NO

15. Mention the challenges?

.....

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.....

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.....

C. ATTENDANCE OF MEMBERS IN AGM'S

16. How would you rate the attendance of the Annual General Meetings?

- Excellent, more than 90% attendance
- Very Good, more than 70% attendance
- Average, more than 50% attendance
- Below Average, less than 50% attendance
- Poor, less than 30% attendance

17. Mention 4 key factors that have influenced the attendance of members in meetings

- (a).....
- (b).....
- (c).....
- (d).....

18. How important are the following items to members of the scheme for an effective AGM to be held?(Please tick where appropriate)

- 1. Very Important
- 2. Important
- 3. Not Important
- 4. I do not know

| Items | 1 | 2 | 3 | 4 |
|--|---|---|---|---|
| A good Conference Facility(well Ventilated/enough light) | | | | |
| A good Guest Speaker | | | | |
| Presentation of the Annual Accounts | | | | |
| Presentation by service providers | | | | |
| Educational Talks i.e. RBA Presentations | | | | |
| Presentation of individual member statements | | | | |
| Food and Beverages are offered to members | | | | |
| Provision of Transport allowances | | | | |

D. ALTERNATIVES OF COMMUNICATING TO MEMBERS

19. Apart from Annual General Meetings, how else do trustees communicate to members on scheme performance and administration?

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.....

20. If holding Annual General Meetings was not a statutory requirement would you still hold the meetings as Trustees of the scheme?

YES NO

21. If yes, why would you hold the meetings **(tick as many)**?

- a. It is a key component to Good Corporate Governance
- b. Enables members raise pertinent questions about the scheme
- c. Gives members an opportunity to make vital decisions on running of the scheme
- d. Enables members scrutinize the running of the scheme
- e. It is a way of educating members of Industry Developments
- f. Other (Please Specify?).....

22. If no, why would you not hold the meetings **(tick as many)**?

- a. It is costly to administer
- b. Requires a lot of time and preparation
- c. Lack of quorum of members
- d. Meetings lack an agenda and direction
- e. Poor participation from the members
- f. Members are well Educated on Scheme Matters

g. Other (Please Specify?).....
.....

E. COSTS ASSOCIATED WITH HOLDING AGM'S

23. Approximately how much does the scheme spend on

- a. Conference Room/ Venue Facilities Ksh.....
- b. Printing of Annual reports/ Brochures Ksh.....
- c. Food & Beverages Ksh.....
- d. Travel Allowances/Mileage Claims Ksh.....
- e. Hotel Reservations Ksh.....
- f. Free Give- Away .i.e. Umbrella, Caps, Shirts Ksh.....

24. What percentage of the total administrative cost is associated with the AGM cost?

.....%

25. What guides the board of trustees in making the right decisions associated with funding of the AGM?

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26. What have you done as a committee to reduce the costs associated with holding AGM's?

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27. Generally do you think it is important to have AGM's?

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THANK YOU FOR TAKING YOUR TIME