RBA

Retirement Benefits Authority

Safeguarding your retirement benefits

RESEARCH PAPER

Impact of Conversion of Kenyan State Corporations' Retirement Benefit Schemes from Defined Benefit to Defined Contribution

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1.0 Introduction

1.1Background

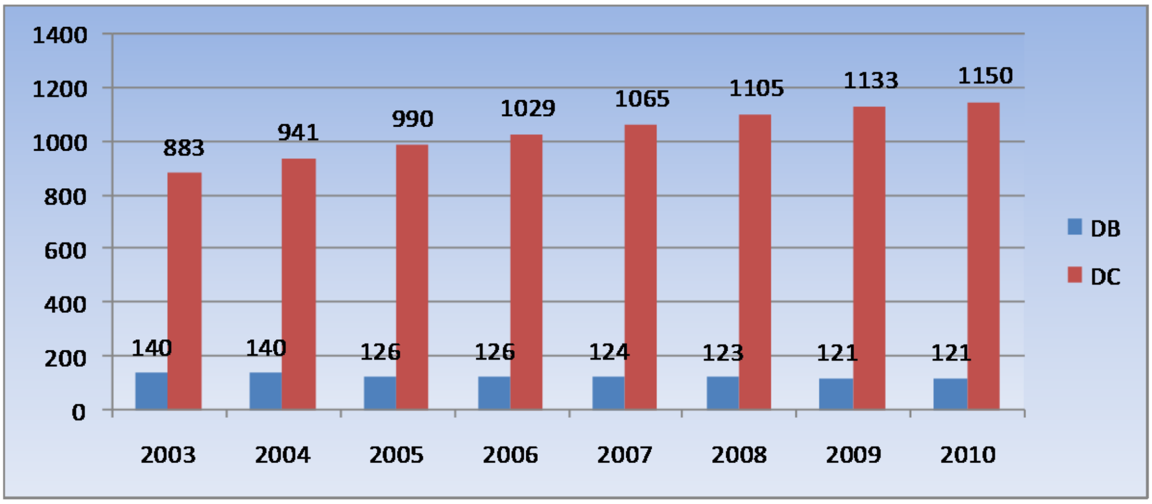
Over the past decade most countries have witnessed a gradual shift in the occupational retirement plans from the traditional Defined Benefit retirement plans (DB) to Defined Contribution retirement plans (DC). This has been more pronounced in the private sector where defined benefit plans have dwindled in response to the uptake of defined contribution plans and in some cases hybrid retirement plans which combine the features of defined benefit and defined contribution plans.

The DB schemes therefore account for a steadily falling share of total assets across countries as a result of conversions from DB to DC (OECD, 2012)[1]. In the United States, DB assets decreased from 67.3% of total assets in 2001 to 60.6% in 2011. Similarly, in Italy, New Zealand and Portugal a similar trend has been observed. In Italy, for instance, the share of DB assets in total assets fell from 29.4% in 2001 to 8.6% in 2011. This was as a result of closure of DB plans to new members (OECD 2012). In the United Kingdom (UK) the Defined Benefit pension schemes have been in the decline since the late 1960's while the Defined Contribution pension schemes on the other hand have been experiencing growth, both in terms of membership and assets under management, particularly since the late 1980's (Carrera *etal*., 2012).

In Kenya, a similar shift has been witnessed; the DB schemes have been dwindling. It decreased from 140 schemes in 2003 to 121 in 2010 (see fig 1 below). Currently, there are 91 DB schemes and with majority being either public, quasi public or big private multinational companies. In the past the State Corporations have been slow in transforming to the DC scheme design. However, more recently this has gradually changed following the government directive via Treasury Circular No. 18/2010 requiring State Corporations to convert from DB to a DC design not later than 1st July 2011. The directive was as a result of a review of the public service retirement benefit schemes where it was found that most schemes could not meet the funding level as required by the Retirements Benefits Authority (RBA).

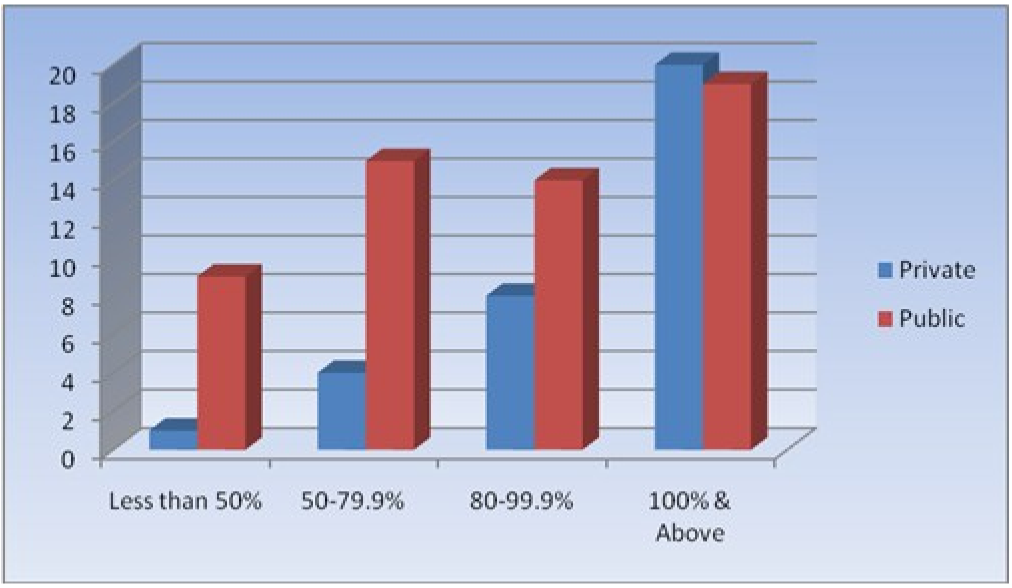
[1] See 2012 OECD Pension Market survey report.

Figure 1: Scheme Design 2003-2010



The Treasury directive was also meant to ensure that there was equity in sharing cost of funding the schemes benefits between the employer and employee thus reducing the financial strain on the state, owing to the fact that the pension liability of State Corporations had worsened since there were too few young workers to support the retiring workforce. The pension liabilities of state owned firms had also far outpaced their assets, leaving them with a substantial funding deficit. Compared to the private sector schemes, most public defined benefits schemes are underfunded (see figure 2 below).

Figure 2: Funding levels of DB Schemes



Source: RBA Database

Out of 57 public sector defined benefits schemes whose valuations were available, 38 were under funded, only 19 were fully funded. The public sector DB schemes therefore perform poorly compared to the private sector DB schemes of which only 12 out of the 33 DB schemes were underfunded (See table 1 below).

Table 1: Funding Levels

	Private	Public	Total
Less than 50%	1	9	10
50-79.9%	4	15	19
80-99.9%	8	14	22
100% & Above	20	19	39
TOTAL	33	57	90

Source: RBA Database

1.2 Current Structure of Retirement Benefits Industry in Kenya

The Retirement benefits industry in Kenya can be categorized into four distinct categories of schemes:

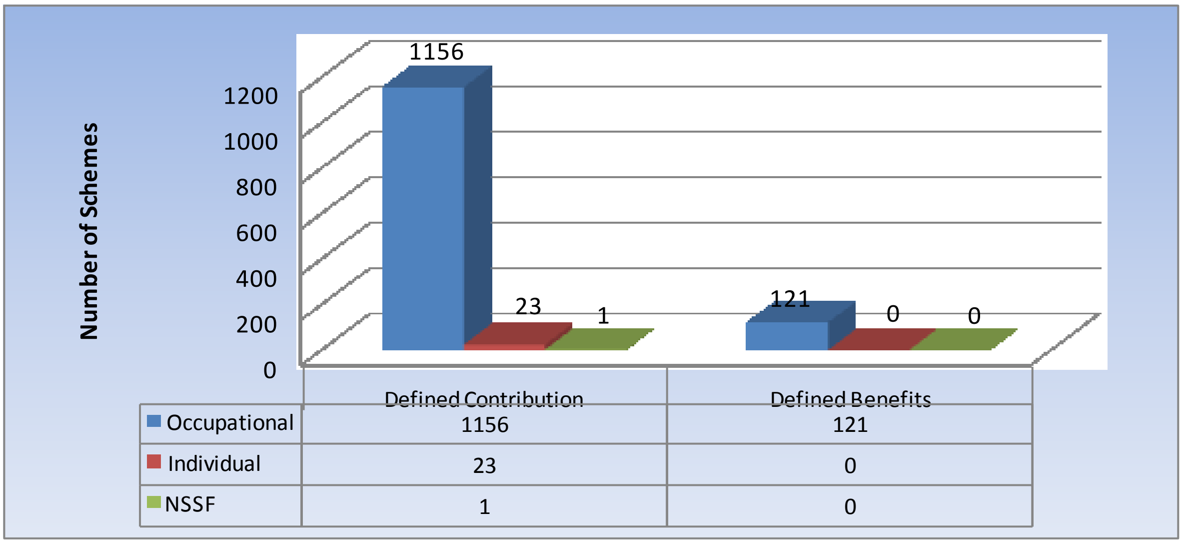
- **National Social Security Fund (NSSF):** this is a mandatory scheme where employers and employees are mandated to make joint monthly contributions of a flat amount of Kshs. 400 in total with the employer and employee making flat amounts of Kshs. 200. The Fund is a funded provident fund. The benefits are locked/preserved until age 50 years where one can opt for early retirement. The Fund is run by a Board of Trustees drawn from various stakeholders. The workers and employers are represented through their various associations. Currently, the Fund has a fund value of over Kshs. 110 billion with a member base of over 1.2 million. The Fund is currently undertaking reform initiatives targeting to enhance the contribution rates and coverage of workers in the informal sector.
- **Occupational Retirement Benefits Schemes:** these are employment based, and voluntary in nature. The schemes are funded through contributions from employers and employees. The contribution rates, as well as, the scheme design and type varies from one scheme to the other. However, majority of schemes are Defined Contribution Pension schemes.

- **Individual Retirement Benefits Scheme:** The Individual Retirement Benefits Schemes though relatively new, has been one of the fastest growing components of the retirement benefits industry. Individual retirement benefit schemes are schemes operated by independent financial institutions, mostly insurance firms and membership is open to anyone who wants to save for retirement. This contrasts to the traditional Occupational Retirement Benefits Schemes whose membership is only open to employees of the company establishing the scheme. Currently there are around 19 registered Individual Retirement Benefits Schemes.
- **Civil Service Pension Scheme:** the scheme is established under an act of Parliament to provide retirement benefits for all civil servants employed by the government. Currently, the scheme is a Pay as You Go non funded and non contributory scheme. The scheme is funded from Government revenue collections. The Schemes currently covers over 400,000 civil servants. Plans are at an advance stage for the scheme to be converted into a defined contribution scheme.

1.2.1 Scheme Design

Kenya like many other countries has experienced a gradual change over time in the design of retirement benefits schemes with many schemes adopting the DC design (Chirchir, 2010). In 2010, there were 1156 defined contribution schemes, 121 defined benefits schemes, 23 individual pensions and one mandatory scheme (NSSF) as shown in figure 3 below.

Figure 3: Structure & Design

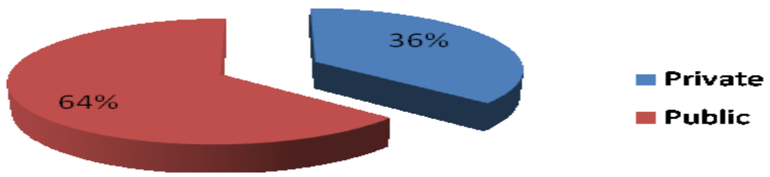


	Defined Contribution	Defined Benefits
Occupational	1156	121
Individual	23	0
NSSF	1	0

Source: RBA Statistical Digest 2011

The defined benefits schemes have dwindled over time. It decreased from 883 schemes in 2003 to 91schemes in 2012 and most of the new schemes being registered by the Authority are defined contribution schemes. Presently, the defined benefit schemes are mostly public, quasi public and the big private multinational companies with the public schemes constituting 64 percent of the registered DB schemes while the private constitute only 36 percent as shown in figure 4 below.

Figure 4: Public & Private DB Schemes[2]



In terms of assets, the DB schemes accounted for 37.7 percent of the total assets in the year 2011, with total assets of 172.1 billion against the industry assets of 456.2 billion[3].

1.3 Scheme Conversion

The term "conversion" of a pension plan from DB to DC can have differing meaning and can take various forms. Generally, the conversions of DB schemes to DC schemes can been done either through the following four ways:

1. Closing the existing DB scheme to new employees; whereby, the old employees can remain in the new scheme while the new entrants are placed in a DC scheme.
2. Closure of an existing defined benefits scheme to new employees and existing employees are invited to join a new DC scheme. This would involve the transfer of the accrued benefits of the existing employees who elect to join the ne DC scheme. Those employees who opt not to transfer to

[2] Currently, there are 33 private DB schemes and 58 public DB Schemes (RBA, 2012)
[3] The data is based on 982 schemes which submitted audited accounts for the year 2011 (RBA Statistical Digest, 2012).

the new scheme would continue to accrue benefits on defined benefits basis.

3. Closure of an existing defined benefits scheme to new employees and to future accruals of benefit; all new staff and existing staff to join a new defined contribution scheme. All future accrual of benefits for existing members would be on a defined contribution basis, but past service benefits remain in the defined benefit basis.
4. Winding up of the DB scheme and setting up of a new DC scheme.

The Treasury circular No. 18/2010 required all state corporations to convert the defined benefits schemes to defined contribution not later than 1st July 2011. The scheme members with less than 5 years to retirement age were to be given an option to stay in DB scheme or to transfer to new DC scheme. The conversion process was to take into consideration the provisions of the Retirement Benefits Act and regulations including guidelines issued by the Retirement Benefits Authority.

However, the conversion from the traditional DB plans to DC plans has been controversial. Some of the issues raised include: the actuarial valuation basis and the deficit financing; rates of contributions; pension increases; commutation of benefits among others. Further, the prudential guidelines on conversion and implementation of regulation 16 of the retirement benefits (Occupational Retirement Benefits Schemes) regulations 2000 were issued quite late after the set deadline in August 2012. This study therefore seeks to examine the implications of the government directive for state corporations to convert from the previous defined benefits schemes to defined contribution schemes.

1.4 Study Objectives

The paper sought to examine the impact of converting Kenyan state corporations' retirement benefits schemes from defined benefits to defined contribution. The specific objectives include:

a) Examine the implication of the conversion on the members and the sponsor.
b) Investigate the factors contributing to the slow conversion rate.
c) Determine whether the government has achieved the objectives set out for the conversion.

2.0 Literature Review

The rationale of establishing retirement benefits arrangement is often similar for both DC and DB schemes with the primary objective of providing for members upon retirement. It is also meant to provide retirees with a certain standard of living by ensuring that their income does not fall below a certain minimum level after retirement. Retirement benefits plans have therefore been instituted so as to help employees experience a wonderful life during their retirement years (Adkins 2010).

Traditionally, funded occupational pension systems were designed around DB pensions; DC plans accounted for a small fraction of employer-sponsored pensions and were typically offered by smaller firms or as supplementary plans for high income earners. Most employers in the past have used defined benefit plans in competitive labour markets to attract and retain skilled workers as opposed to defined contribution plans where the benefits are portable once vested to the member (Turner and Hughes, 2008).

However, the traditional defined benefit retirement plans are gradually losing their dominance in the occupational pension systems in many countries. There has been a gradual shift towards DC retirement plans (Broadbent, Palumbo and Woodman 2006). The shift has predominantly been in the private sector, towards employee-directed DC plans and hybrid or Cash balance schemes arrangements that combine features of both DB and DC plans (Coronado and Copeland, 2003). Few new DB plans have been created and the majority of countries that have recently introduced funded occupational pensions have based them on DC or Hybrid schemes, even within the DB category of pension plans, a shift has been witnessed, with quite a number of traditional DB plans having been converted to hybrid plans (Broadbent, Palumbo and Woodman (2006). State owned firms have also followed suit.

2.1 Features of Defined Benefits Schemes and Defined Contribution Schemes

2.1.1 Defined Benefits (DB) Features

Defined benefit plans are retirement plans that are employer sponsored where employee benefits are based on a formula utilizing factors such as salary history and longevity of employment. The Investment risk and portfolio management are entirely under the control of the company. In a typical DB plan the member earns a unit of pension, usually expressed as a percentage of nominal earnings, for each year of credited service/participation. The employer bears the risk of providing the employee with a pension benefit (Broadbent, Palumbo and Woodman 2006).

According to Adkins (2010), DB plans have gained popularity as a result of four primary factors:

1. DB plans tend to afford employees a greater retirement benefit than what employees can expect to receive through other retirement schemes, particularly if employees live for a long period of time following retirement.

2. DB plans place the investment risks associated with market fluctuations upon the employer instead of the employee.

3. DB plans place the investment decision-making responsibility upon the employer instead of the employee.

4. Corporations tend to have a much longer time horizon than the life expectancy of employees. Therefore, it is believed that employers have a much greater capacity to absorb wide market fluctuations over various market cycles.

However, over time DB schemes have slowly been dwindling. According to Future of Pensions (n.d.), "we are collectively living longer, but the rate of growth in life expectancy is far lower than the growth we have seen in total productive output. With the exception of occasional years of recession, we are experiencing ever higher standards of living at all ages." Furthermore, the increase in life expectancy implies that a larger asset base is needed to provide the same level of benefits over the longer retirement period. The effect of this change can be large. Employers bear the cost of increases in life expectancy, and they bear the risk of unexpected increases in life expectancy (Turner and Hughes 2008).

Lindeman (2002) observes that defined benefit plans present even more complicated issues. Principal-agent issues involve also private sector workers who have a stake in defined benefit schemes for public sector workers because the state (ultimately taxpayers) guarantees pension benefits. The calculation of the funding status of DB plans is also complex and controversial (Bodie, Marcus and Merton (1988). Pension under-funding and its persistence due to a decline in long-term interest rates, the move to more market-based accounting, increasing regulatory burden and uncertainty and recognition of the effects of increased longevity on plan costs has prompted the plan sponsors to improve their management of the financial risks in DB plans. This has also accelerated the shift towards DC schemes (Broadbent, Palumbo and Woodman 2006).

Moreover, the decline in asset markets as noted by Turner and Hughes (2008) means greater contributions are needed to provide a given level of assets at retirement. The decline in interest rates means that a larger asset base is needed when converting to an annuity to achieve the same level of annuitized benefits. Another shortcoming is that DB plans are often not portable across employers, can penalize mobile workers since the expected pension benefit generally accrues only to employees who remain with the same employer throughout their career (Broadbent, Palumbo and Woodman 2006).

2.1.2 Defined Contribution (DC) Features

Defined contribution plan is retirement plan in where a certain amount or percentage of money is set aside by both the sponsor and employee for the benefit of the employee. According to Broadbent, Palumbo and Woodman (2006), in a defined contribution (DC) pension plan, workers accrue funds in individual accounts administered by the plan sponsor. The contributions of employees are typically deducted directly from their pay and frequently some portion of these contributions is matched by the employer.

The employer, and sometimes also the employee, makes regular contributions into the employee's retirement account. The contributions are usually specified as a predetermined fraction of salary, although that fraction need not be constant over the course of a career. The contributions to DC plans are therefore generally fixed on percentage of earnings therefore the DC assets are build at a fairly steady rate over time hence avoiding the back-loading of accrued benefits which is a hallmark of DB plans. DC plans contrast sharply to a DB plan in that, it is the contributions rather than the benefit that is fixed in a DC pension plan; the retirement income that will be provided is unknown in advance. The pension benefit accumulated during the employee's working career will depend on the contributions made while working and the investment returns earned on the plan balances.

According to Lindeman (2002), DC plans are generally funded with assets exterior to the employer under the management of an external asset manager. As in the private sector, public sector DC plans tend to take one of three paths in order to deal with the inherent instability of employers making investment decisions in DC plans. DC plans are by their nature fully funded, that is, the market value of the plan's assets equals the liability of the sponsor to the plan's beneficiaries (Bodie, Marcus and Merton 1988). DC plans avoid the accrual losses that can be associated with DB plans and provide mobile workers with a much more flexible means of managing their retirement savings (Broadbent, Palumbo and Woodman 2006).

In addition, mobile workers generally fare better in defined contribution plans than in defined benefit plans. Workers' account balances in defined contribution plans, once vested, are fully portable. By comparison, the accrued benefits in defined benefit plans generally are not portable, and are reduced in value for job changers. Workers would favor pensions that do not penalize job change, which would include defined contribution plans and cash balance plans (Turner and Hughes 2008).

The benefits in a DC plan are easily transferable between employers. Individuals therefore may benefit from high investment returns, and may have greater control over investment options. DC also offers better value for early leavers in comparison to early leavers under DB. Finally, the benefits under DC are more transparent, which may foster greater understanding of and an interest in pensions for the individual.

However, in a DC plan retirement benefits tend to be lower given that contribution rates for DC schemes tend to be lower than for DB (Green Paper on Pensions, n.d.). DC plan also changes the allocation of risks from employers to employees. Broadbent, Palumbo and Woodman (2006) also observes that employees continue to be exposed to inflation risk while assuming additional risks, most notably, market, longevity and market timing risk, formerly borne by the DB plan sponsor.

2.1.3 Summary of Features of DB and DC Plans

Feature	DB Scheme	DC Scheme
Contribution Rate	Contribution rates vary depending on the outcomes of the regular actuarial reviews	Contribution rates are fixed in advance – employers know what they have committed to
Predictability of Benefits	Members can predict the benefits they will receive as a proportion of their earnings just before retirement	Members will not normally know until very close to retirement what their benefits will be
Investment Returns	The higher the investment return achieved by the scheme, the lower the contribution rate will be. If investment returns are poor, contribution rates have to be increased to provide for the agreed benefits	The higher the investment return achieved by the scheme before retirement, the better the pension benefits will be. If investment returns are poor, especially in the years just before retirement, retirement benefits will be lower than expected
Cost of Pension	The cost of buying a pension at retirement affects the contribution rate	In a DC scheme, the member builds up a fund by retirement age which is used to buy a retirement pension. The cost of the pension is unknown in advance, and it is to the member's advantage if the cost is low, but detrimental if pension cost at retirement is high;
Flexibility	Schemes are best suited to those who stay until retirement, particularly	If a member's earnings increase rapidly throughout their working life, and

Feature	DB Scheme	DC Scheme
	those who experience above average salary growth. Those who leave before retirement can receive much lower benefits.	especially towards the end, their DC benefits may be low relative to their earnings just before retirement. Contributions are usually allocated uniformly across all members as a percentage of pensionable earnings – there is no discrimination between those who stay until retirement and those who leave early.

2.2 Reason for conversion

Historically, the shift towards DC pension plans has largely been a response to changes in industrial structure and labour force composition that have given rise to an increasingly mobile workforce (Broadbent, Palumbo and Woodman 2006). Worker mobility has increased over the past 30 years. Explanations include changes in the industry composition of employment, technological change, and changes in the demographic composition of the labour force toward workers with less stable labour supply. More mobile workers find DC plans relatively advantageous because benefits in these types of plans accrue more evenly through their career and are entirely portable should the worker separate from the sponsoring firm or leave the workforce for a period.

(Turner and Hughes 2008), alludes to life longevity as a reason for conversion. Both the increase in life expectancy and the unexpectedly large size of the increase have been cited as reasons for the decline in defined benefit plans. DB plans are implicit contracts in which the expected present value (discounted) of wages and pension payments must be at least equal to the expected present value (discounted) of wages a worker can earn in the spot market. As the workforce has aged, the costs of funding a DB plan have risen because the level of accrued benefits is higher and the post-retirement period has lengthened due to early retirements and increased longevity. This has made it difficult for firms to adjust compensation in response to shocks to forecasted values of longevity, benefit costs, or asset returns (Broadbent, Palumbo and Woodman 2006).

Adkins (2010) notes that the transition from the DB plan structure to the DC plan structure over the last 20 years is a product of: corporations typically saving a significant amount of money by switching their DB plan scheme to a DC plan scheme because the benefits afforded by DC plans are typically lower than what is offered by DB plans; Due to the complexities associated with estimating DB plan liabilities, it's difficult for corporate executives to budget for retirement benefit expenditures; the relative size of DB plan assets and liabilities is typically very large. This requires corporate executives to focus on their retirement plan administration, instead of focusing on core business endeavors.

Chirchir (2010) observes that, in Kenyan the directive to shift to DC schemes had been occasioned by the increase in pension liabilities in most State Parastatals as a result of increase in salaries over the years. Green Paper on Pensions (n.d.) on the other hand notes that among the reasons that have been put forward for the decline of defined benefit schemes as a proportion of voluntary pension provision are diverse, depending on the perspective of the various stakeholders involved, among them:

i) Risk aversion by employers: this arises due to the risks associated with the running of the defined benefit schemes which are mainly borne by the sponsor; these include: the volatile financial markets, the cost of funding retirement benefits and an increased awareness by employers of risk distribution as a result of developments such as international accounting standards which may have resulted in lower contributions to pension funding and less appetite for long-term pension liabilities. Employers have therefore been persuaded to transfer these risks to the other entities including employees.

ii) Excessive Regulation: following the Maxwell scandal[4] where members' funds were misappropriated, the subsequent regulations have been geared towards the protection of the members' interest. These include: strict legal, funding and solvency laws and regulation of the type of assets in a pension plan. Variations in the tax laws and the changes in the family law in the context of marital breakdown have led to the management of DB pensions plans becoming increasingly complex. The change in legislation and regulations has increased the relative cost and complexity of DB plans while on the other hand enhancing the tax advantage of DC plans (Samwick and Skinner, 2001).

iii) New economy: workers and more so the young tend to be more mobile and are less likely to stay with one employer throughout their careers, and thus more likely to have flexible working arrangements. Defined contribution schemes are more attractive for those who stay for a short time, have flexible working patterns or who want more control over asset allocations. Workers who expect to change jobs frequently over their careers might favor DC plans over DB plans because they provide access to better benefits for short term workers.

iv) Rational Worker: Internationally, a combination of weak wage growth and prosperous capital markets can lead to a preference for DC over DB by workers. Differences in union participation rates and in investment climates can be key influences in this regard.

2.3 Impact of conversion

Broadbent, Palumbo and Woodman (2006) cite more employee participation as an impact of converting from a DB to a DC scheme**.** The majority of DC pension plans are structured as a match of employee contributions; even though the plan is offered by an employer, the employee has to decide whether to participate and how much to contribute. This increase in participation led to the increase in the level of financial literacy which in turn improves the efficiency of the DC pension market and financial markets overall.

[4] The death of the publisher Robert Maxwell in November 1991 was followed by revelations that substantial assets were missing from the pension schemes of various Maxwell companies (see Blair, 1995). Robert Maxwell used the company pension to support his failing businesses.

Furthermore, by demanding products more responsive to their needs, financially literate investors also encourage providers to develop new products and services, thus increasing competition in financial markets, innovation and improvement in quality. Over the long term, the shift towards DC pension plans is expected to increase the demand for annuities substantially, particularly in countries where public pensions are being replaced by individual accounts (Broadbent, Palumbo and Woodman 2006).

A survey carried out in South Africa on "Conversion from Defined Benefit to Defined Contribution" shows that the overall the process of conversion gave rise to:

- Much better communication to members through annual reports, benefit statements, simplified booklets, videos, etc.
- Better fund governance: the board of management is not an extension of the employer and member-elected trustees can better establish the needs of members' dependants following the death of the member.
- Better management of resignation and retrenchment benefits in defined benefit funds.

Similarly, a survey by (Clarke and Munzenmaier n.d.), on U.S organizations observed that changing from a DB to a DC scheme had the following outcome:

- In general, workers had a less positive view of their new pension plans than do their employers. However, many workers are satisfied with the change.
- Older and more senior workers were less pleased with the plan conversions, whereas younger workers were happier with the change in retirement plans. These perceptions reflect the actual impact on future retirement benefits.
- Attitude concerning whether the change was good for them, vary, as expected, by age and years of service and actuarial analysis.
- When given the choice of what type of pension they want, workers behaved as predicted, and their choices reflect the expectations that were reflected in the employee surveys.

The gradual shift of retirement plans from DB to DC has mainly been due underfunding; high cost incurred by sponsors and shifting of risk from employer to employee. Furthermore, the new economy has given rise to a new set of mobile workers who prefer a more flexible arrangement when it comes to their retirement benefits.

3.0 Methodology and Data Sources

This section presents the research methodology and data sources. The paper adopted various approaches in order to achieve the set out objectives. These include; review of the existing literature, collection of secondary and primary data.

3.1 Secondary Data

A comprehensive literature review was undertaken to gain a deeper understanding of the topic. In addition, secondary data was collected from various secondary sources including the RBA database.

3.2 Primary Data

Primary data was collected by use of questionnaire from a sample drawn from the current members of state corporations' retirement benefits schemes which had either converted or were in the process of converting from Defined Benefits Schemes to Defined Contributions. The survey was undertaken between 8th November 2012 and 7th December 2012. The data questionnaire was administered to members of the various state corporation schemes who had been affected by the conversion.

4.0 Data Analysis and Presentation of Results

This section presents the data analysis, interpretation and presentation of the study findings.

4.1 Descriptive Statistics and Data Analysis

Questionnaires were sent out to 47 state corporation schemes which had either converted or were in the process of converting to DC schemes. Three questionnaires were sent to each scheme. Out of the 141 questionnaires sent out, 90 questionnaires were returned duly filled, translating to 63.8 percent response rate.

4.1.1 Personal Information

4.1.1.1 Age

The age of the respondents ranged from 24 years to 59 years with an average age of 42.7 years.

4.1.1.2 Gender

Out of the total respondents, 60 were male and 30 were female. The respondents were therefore predominantly male (66.7%).

Table 3: Gender

Gender	Number	Percentage
Male	60	66.67%
Female	30	33.33%
Total	**90**	**100%**

4.1.1.3 Education

All the respondents indicated that they had post primary education. 6 had secondary education, 25 had college education and 59 had university education. The results suggest that most of the employees of state corporations had post secondary educated, with a majority having attained university education.

Table 4: level of Education

Level of Education	Number	Percentage
Primary	0	0
Secondary	6	6.7%
College/Tertiary	25	27.8%
University	59	65.5%
Total	**90**	**100%**

4.1.1.4 Marital Status

Majority of the respondents were married (83.3%), 14.5 percent were single and 2.2 percent were widowed.

Table 5: Marital Status

Status	Number	Percentage
Single	13	14.5%
Married	75	83.3%
Divorced	0	0
Separated	0	0

Widowed	2	2.2%
Other	0	0
Total	**90**	**100%**

4.1.1.5 Years Worked with Current Employer

The years worked with the current employer ranged from 1 year to 34 years with an average of 13.7 years.

4.1.1.6 Cadre

Majority of the respondents were in the middle management (48.9%), 26.7 percent were in the officer level while only 20 percent were in the senior management. 4.4 percent of the respondents did not indicated their cadre.

Table 6: Cadre

Cadre	Number	Percentage
Senior Management	18	20%
Middle Management	44	48.9%
Officer	24	26.7%
Not Indicated	4	4.4%
Total	**90**	**100%**

4.1.1.7 Salaries and Allowances

The basic salaries of the respondents ranged from Kshs. 14,500 to Kshs. 270,000 while the allowance ranged from Kshs. 0 for those who earned a consolidated salary to Kshs. 140,000. The average basic salary of the respondents was Kshs. 81,736 while the average allowance was Kshs. 45,000.

4.1.1.8 Contribution Rates

The employee and employer contributions rates varied from one organization to another. The employee contributions ranged from 3 percent to 12 percent while the employers contribution ranged 6 percent to 20 percent. In most organizations the employees made a contribution of 10 percent of the pensionable pay while the employers made a contribution of 20 percent of the pensionable pay. This implies that most of the sampled state corporations contributed the maximum contribution rates as per the Treasury Circular No. 18/2010.

4.1.1.9 Basis of Monthly Contributions

Majority of the respondents (78.9%) indicated that the basis of their monthly contribution was basic salary; 8.9 percent indicated that the basis of their monthly contribution was gross salary while 5.5 percent did not know. 6.7 percent of the respondents did not indicate.

Table 7: Basis of Monthly Contribution

Basis	Number	Percentage
Basic Salary	71	78.9%
Gross salary	8	8.9%
I don't Know	5	5.5%
Not Indicated	6	6.7%
Total	**90**	**100%**

4.1.2 General Information

The respondents were asked general questions in regards to how they perceived their current organizations. The responses were as follows:

Table 8: General Information

Statement	Agree	Disagree	Not indicated
I would recommend my organization as one of the best places to work	85.5%	8.9%	5.6%
I intend to stay with my organization for the next several years	85.6%	11.1%	3.3%
I would stay with my organization even if offered a similar job with higher pay	42.3%	52.2%	5.5%

Generally, most of the respondents had a positive view in regards to their respective organizations. For instance, when asked whether they would recommend their organizations as the best places to work, 85.5 percent of the respondents agreed that they would recommend their organizations as one the best places to work while 8.9 percent disagreed. 5.6 percent of the respondents did not indicate.

Similarly when asked whether they intended to stay with their employer for the next several years 85.6 percent of the respondents agreed that they would stay with their organizations for the next several years while 11.1 percent of indicated that they did not intend to stay with their current employers for the next several years.

However, when asked whether they would stay with their organization even if offered a similar job with higher pay, 52.2 percent of the respondents disagreed with the statement while 42.3 percent of the respondents answered on the affirmative. 5.5 percent of the respondents did not indicate whether they would stay. This suggests that most of the employees were motivated to work in an institution by better pay.

4.1.3 Scheme Conversion

The respondents were asked both specific and general questions about their schemes and scheme conversion. The responses for each question are captured in the succeeding subsections.

4.1.3.1 Scheme Design

Majority of the respondents indicated that scheme design was defined contribution (62.2%) while 15.6 percent of the respondents indicated that their scheme design was defined benefits. Surprisingly, 16.7 percent of the respondents did not know their scheme designs. 5.5 percent of the respondents did not indicate the design of their retirement plans.

Table 9: Scheme Design

Scheme Design	No. of Respondents	Percentage
Defined Benefit	14	15.6%
Defined Contribution	56	62.2%
Don't Know	15	16.7%
Not Indicated	5	5.5%
Total	**90**	**100%**

4.1.3.2 Conversion

The respondents were asked whether their respective schemes had converted or were in the process of converting from defined benefit to a defined contribution scheme and majority of the respondents (93.3%) indicated that their respective schemes had either converted or were in the process of converting. 1.1 percent of the respondents indicated that they were not. However 3.4 percent of the respondents did not know the status of their schemes.

Table 10: Conversion

Scheme converted or currently converting	**No. of Respondents**	**Percentage**
Yes	84	93.3%
No	1	1.1%
Don't Know	3	3.4%
Not indicated	2	2.2
Total	**90**	**100%**

4.1.3.3 Knowledge and Understanding of the previous plan

The respondents were asked whether they had adequate knowledge and understanding of the previous retirement plan and majority of the respondents (75.5%) agreed that they had adequate knowledge and understanding of the previous plan while 20.1 percent disagreed. 4.4 percent of the respondents did not indicate their level of knowledge and understanding of the previous plan.

Table 11: Knowledge and Understanding of the previous plan

I had adequate knowledge and understanding of the previous retirement plan and its benefits	**No. of Respondents**	**Percentage**
Agree	68	75.5%
Disagree	18	20.1%
Not indicated	4	4.4%
Total	**90**	**100%**

4.1.3.4 Did the Previous Plan Meet Your Expectations?

The respondents were asked whether the previous retirement plan had met their expectations. 60 percent of the respondents agreed that the previous plan met their expectations. However, 32.2 percent of the respondents indicated that the previous plan had not met their expectations while 7.8 percent of the respondents did not indicate whether the previous plan had met their expectations.

Table 12: Previous Plan and Expectations

In general, the *previous* plan met my expectation	No. of Respondents	Percentage
Agree	54	60%
Disagree	29	32.2%
Not Indicated	7	7.8%
Total	**90**	**100%**

4.1.3.5 Communication

The respondents were asked whether they had received adequate communications when the plan was being changed and majority of the respondents (83.3%) agreed that they had received adequate communication when the plan was being changed. 14.5 percent of the respondent disagreed while 2.2 did not indicate.

Table 13: Communication

When the retirement plan was being changed, I received adequate communication about the change	No. of Respondents	Percentage
Agree	75	83.3%
Disagree	13	14.5%
Not Indicated	2	2.2%
Total	**90**	**100%**

4.1.3.6 Management of Change

The respondents were asked whether their respective organizations had managed the change in the retirement plan very well and majority of the respondents (77.8%) agreed that their organizations had managed the change in the retirement plan very well. 18.9 percent of the respondents disagreed while 3.3 percent of the respondents did not indicate.

Table 14: Management of Change

The organization managed the change in retirement plan very well	No. of Respondents	Percentage
Agree	70	77.8%
Disagree	17	18.9%
Not Indicated	3	3.3%
Total	**90**	**100%**

4.1.3.7 Understanding of the New Plan

The respondents were asked whether they had adequate understanding of the new plan and its benefits and majority of the respondents (86.7%) agreed that they had adequate understanding of the new retirement plan and its benefits. 11.1 percent of the respondents disagreed while 2.2 percent of the respondents did not indicate.

Table 15: Understanding of the New Plan

I have adequate understanding of the new retirement plan and its benefits	No. of Respondents	Percentage
Agree	78	86.7%
Disagree	10	11.1%
Not Indicated	2	2.2%
Total	**90**	**100%**

4.1.3.8 Does the New retirement Plan Meet Your Expectations?

The respondents were asked whether the new retirement plan met their expectations and 73.3 percent of the respondents agreed that the new retirement plan met their expectations while 23.4 percent of the respondents disagreed. 3.3 percent did not indicate whether the plan met their expectations. Compared to the previous plan, the results suggest that the new retirement met most of the respondents' expectations.

Table 16: New Retirement Plan and Expectations

The new plan meet my expectations	**No. of Respondents**	**Percentage**
Agree	66	73.3%
Disagree	21	23.4%
Not Indicated	3	3.3%
Total	**90**	**100%**

4.1.3.9 Provision of Adequate Income upon Retirement

The respondents were asked whether the new retirement plan would provide them adequate income when they retire and 67.9 percent of the respondents agreed that the new retirement plan would provide them with adequate income when they retire. 27.7 percent of the respondents disagreed while 4.4 percent of the respondents did not indicate whether the new retirement plan would provide them with adequate income upon retirement.

Table 17: Adequacy of Income upon Retirement

When I retire the new retirement plan will provide me with an adequate income	**No. of Respondents**	**Percentage**
Agree	61	67.9%
Disagree	25	27.7%
Not Indicated	4	4.4%
Total	**90**	**100%**

4.1.3.10 Was the Change in Retirement Plan Good?

When the respondents were asked whether the change in retirement plan was good, 70 percent of the respondents agreed that the change in the retirement plan was good for them. 24.4 percent of the respondents disagreed while 5.6 percent did not indicate.

Table 18: Was the Change in Retirement Plan Good?

The change in retirement plan was good for me	No. of Respondents	Percentage
Agree	63	70%
Disagree	22	24.4%
Not Indicated	5	5.6%
Total	**90**	**100%**

In terms of age group, 50 percent of the respondents in the age group between 21-30 agreed that the change in the retirement plan was good for them while 16.7 percent disagreed. However, 33.3 percent in this age group did not indicate their assessment. Surprisingly, majority (72.8%) of those in the age bracket of 51-60 years agreed that the change in the retirement plan was good for them contrary to our expectation. It was expected that the older employees would have preferred the previous plan (DB scheme). This could indicate that there are other factors that employees look for in plan other the retirement benefits upon retirement.

Table 19: Change of Retirement Plan and Age

Age	Agree	Disagree	N/I
21-30	50%	16.7%	33.3 %
31-40	73.3 %	20%	6.7 %
41-50	67.8 %	29.1 %	3.2%
51-60	72.8%	27.2%	-
N/I	100.0%	-	-
Total	**70 %**	**24.4%**	**5.6%**

In terms of years worked with the current employer, the results showed that the years of service did not affect the acceptance of the new plan.

Table 20: Years Worked and Change of Retirement Plan

Years worked with current employer	Agree	Disagree	N/I
1-5 yrs	63%	16%	21%
6-10 yrs	65%	29%	6%
11-15 yrs	87%	13%	0%
16-20 yrs	73%	27%	0%
21-25 yrs	45%	55%	0%

26-30 yrs	83%	17%	0%
31-35 yrs	67%	33%	0%

Similarly, the cadre of employee did not affect the acceptance of the scheme.

Table 21: cadre and change of Retirement Plan

Cadre	Agree	Disagree	N/I
Senior Management	63%	38%	0%
Middle Management	75%	20%	5%
Officer	67%	29%	4%

4.1.3.11 Opportunity to Select the Desired Investment

The respondents were asked whether the new retirement plan had offered them the opportunity to select their desired investment portfolio and majority of the respondents (62.2%) of the respondents agreed that the new retirement plan would offer them an opportunity to select their desired investment portfolio. 33.4 percent of the respondents disagreed while 4.4 percent of the respondents did not indicate whether the new retirement plan would offer them an opportunity to select their desired investment portfolio.

Table 22: Opportunity to Select the Desired Investment

The new retirement plan offers me an opportunity to select my desired investment	No. of Respondents	Percentage
Agree	56	62.2%
Disagree	30	33.4%
Not Indicated	4	4.4%
Total	**90**	**100%**

4.1.3.12 Retirement Benefits

The respondents were asked whether the new retirement plan would offer them less or better benefits than the previous plan and most of the respondents (44.4%) agreed that the new retirement plan would offer them more retirement benefits than the previous plan. Similarly majority of the respondents (52.2%) did not agree that the new plan would offer them less retirement benefits than the previous plan. However, 13.3 percent of the respondents did not know how the new plan would impact their retirement benefits. 54.4 percent of the respondents indicated that the new plan would offer them about the same benefits as the previous plan.

Table 23: Retirement Benefits

Statement	Yes	No	Not Indicated
Less retirement benefits than the previous plan	27.8%	52.2%	20%
About the same benefits	20%	54.4%	25.6%
More retirement benefits than the previous plan	44.4%	30%	25.6%
I do not know how the new plan impacts my retirement benefits	13.3%	38.9%	47.8%

4.1.3.13 Change in Retirement Plan and the Expected Retirement Age

The respondents were asked how the change in the retirement plan had changed their expected retirement age. 40 percent of the respondents indicated that they planned to retire later while 33.3 percent of the respondents indicated that they did not plan to retire later. However 26.7 percent did not indicate. When asked whether they planned to retire at the same time, 56.7 percent of the respondents were affirmative that they planned to retire at the same time. When asked whether they planned to retire sooner, only 15.6 percent were affirmative. This suggests that the change in the retirement plan had no major effect on the retirement age.

Table 24: Change of Retirement and Expected Retirement Age

Statement	Yes	No	Not Indicated
I plan to retire later	40%	33.3%	26.7%
I plan to retire at the same time	56.7%	26.7%	16.6%
I plan to retiree sooner	15.6%	48.9%	35.5%

4.1.3.14 Old Plan and Intention to stay with the Employer

The respondents were asked whether they intended to stay with their current employers when the old plan was in effect and a majority of respondents

(54.4%) were affirmative. 16.7 percent of the respondents indicated that they had no intention of staying with their employer when the old plan was in effect. However 26.7 percent of the respondents were not sure. When asked to state the reasons for their answers; most of those who answered on the affirmative indicated that they had no other alternative job. A number of the respondents also indicated that they few years to retire and therefore they no intention of changing employers. Some of the respondents indicated that the old retirement plan was confusing. However, some of the respondents indicated that the change in the retirement plan was not a factor to change employers.

Table 25: Old Plan and Intention to Stay with Employer

Do you intend to stay with your employer when the old plan was in effect	No. of Respondents	Percentage
Yes	49	54.4%
No	15	16.7%
Unsure/I don't Know	24	26.7%
Not Indicated	2	2.2%
Total	90	100%

4.1.3.15 New Plan and Intention to stay with the Employer

The respondents were asked whether they intend to stay with their employers now that the new plan was in effect. Majority of the respondents (56.7%) were affirmative that they intended to stay with their employers now that the new plan was in effect. 8.9 percent of the respondents had no intention of staying with their employers given that the new plan was in effect. However, 28.9 percent of the respondents indicated that the change in retirement plan had no impact. When asked to explain the reasons for their answers; most of the respondents who had answered the question on the affirmative indicated that the new plan was transparent and easy to understand. However, a number of the respondents indicated that the change in the plan had no impact.

Table 26: New Plan and Intention to Stay with the Employer

Do you intend to stay with your employer now that the new plan is in effect	No. of Respondents	Percentage

Yes	51	56.7%
No	8	8.9%
Retirement plan had no impact	26	28.9%
Not Indicated	5	5.5%
Total	**90**	**100%**

4.1.3.17 Change in Retirement and Overall Investments

The respondents were asked whether the change in the retirement plan had caused any changes in the overall investment/savings of the respondents. 36.7 percent of the respondents indicated that they had increased their level of investments in other retirement plans while 30 percent of the respondents had not increased their investments/savings in other retirement plans. 33.3 percent of the respondents did not indicate how the change in the plan had affected their overall savings. However, 37.8 percent of the respondents indicated that they made no changes in their overall level of investments/savings. In contrast, when asked whether they had decreased their investments/savings in other retirement plans, only 7.8 percent of the respondents indicated that that they had reduced their investments/savings while 52.2 percent indicated that they had not.

Table 27: Change of Retirement Plan and Overall Investments

Level of Investment/Savings	**Yes**	**No**	**Not Indicated**
I have increased my investments in other retirement plans	36.7%	30%	33.3%
No changes	37.8%	26.7%	35.5%
I have Decreased my investments in other retirement plans	7.8%	52.2%	40%

4.1.3.18 Retirement plan and Job search

The respondents were asked to rate how important the organizations' retirement plan in keeping them from looking for employment elsewhere. 32.2 percent of the respondents indicated that the organization's retirement plan was very important in keeping them from looking for employment elsewhere. 26.7 percent of the respondents indicated that the organizations retirement plan was important while 15.6 percent indicated that it was somewhat important. However, 21.1 percent of the respondents indicated that the organization's retirement plan was not important in keeping them from looking for employment elsewhere.

Table 28: Retirement Plan and Job Search

How important is your organizations retirement plan in keeping you from looking for employment elsewhere	No. of Respondents	Percentage
Very Important	29	32.2%
Important	24	26.7%
Somewhat Important	14	15.6%
Not Important	19	21.1%
Not Indicated	4	4.4%
Total	**90**	**100%**

In terms of age group, 50 percent of the respondents in the age between 21-30 years of age agreed that retirement plan was very important in keeping them from looking for employment elsewhere. This may be so due that the fact that most of them may be new in employment and may not have vested in the employers' contribution. Similarly the age group between 51 -60 years also indicated that retirement was important in keeping them from looking for employment elsewhere.

Table 29: Retirement Plan, Job Search and Age

Age	Very Important	Important	Somewhat Important	Not Important	Not Indicated
21-30	50.0 %	16.7	-	33.3	-
31-40	23.3%	30.0	16.7	23.3	6.7
41-50	29.0%	25.8	22.6	22.6	-
51-60	40.9%	27.3	9.1	13.6	9.1
N/I	100.0%	-	-	-	-
Total	**32.2%**	**26.7%**	**15.6%**	**21.1%**	**4.4%**

4.1.3.19 Would You Change to the Old Plan?

The respondents were asked whether they would consider changing to the old retirement plan given a chance. Majority of the respondents (55.6%) indicated that given a chance, they would not change to the old retirement plan. However, 37.8 percent indicated that they would change to the old retirement plan given a chance. When asked to state reasons for their answers, most of the respondents who indicated that they would not change to the old plan felt that the old plan was dictated by the employer. They also felt that the new plan was superior since it had an option of Additional Voluntary Contribution (AVC). Similarly they felt that the new plan was transparent and they were able to estimate their benefits as opposed to the old plan. on the other part, the respondents who indicated that they would change to old plan felt that the old plan was risk free and all the risks were borne by the sponsor. They also felt that the old plan had superior benefits compared to the new plan.

Table 30: Would You Change to the Old Plan

Given a chance, would you consider changing to old retirement plan?	No. of respondents	Percentage
Yes	34	37.8%
No	50	55.6%
Not Indicated	6	6.6%
Total	**90**	**100%**

4.2 Simulation

The study carried out a simple simulation/projection in order to investigate the impact and the implication of the conversion on the members and sponsor. The expertise of an actuary was utilized. Various assumptions were made in regards to age, retirement age, years to retirement, commutation factor, annual salary increment, investment returns, the DB factor, DC contribution rate, and starting salary. The summary of the factors considered and the assumptions made are summarized below.

Table 31: Assumptions and Simulation Summary

Factors	Assumptions		Factors	Assumptions
Starting salary p.a	Kshs. 1,200,000.00		Current age	25

Salary increase p.a	5.00%		Normal Retirement Age (NRA)	60
Investment return	5.00%		Years to retirement	35
DB factor	2.00%		Commutation factor	10
Contribution rate DC	15%			
Benefit Value	**DB**		**DC**	
	46,334,529.09		**50,687,918.73**	
	Benefit Dependent on			
DB	Final Salary, Commutation Factor, Years of Service			
DC	Contributions, Investment Returns			

The study made the projections of an individual aged 25 years old with a monthly salary of Kshs. 100, 000 (1,200,000 p.a). The normal retirement age was assumed to be 60 years while the annual salary increment was assumed to be 5 percent. In the case of the DB plan, a DB factor of 2 percent and a commutation factor of 10 were assumed while in the case of the DC plan an investment return of 5 percent and contribution rate of 15 percent was assumed.

The simulation results as depicted in table 29 showed that there was no major difference between the DC and DB plan in terms of the final benefit value based on our assumptions, albeit, the DC option seems to have a larger final benefit value. On whether a DB or a DC is superior to the other, it all depends on different factors; for the DC it depends with the contribution rates and the market returns while on the DB it depends of the length of service, the final salary and the accrual factor. We cannot therefore conclude with certainty which of the two options is better than the other since the final benefit value is dependent on various assumptions.

However, the major departure of the two plans is on the investment risk; mortality; interest rates; final salary and the number of years of service. Generally, in the DB plan, the sponsor bears all the risks and therefore the sponsor has to pay the member the set benefit based on a pre-determined formulae. Conversion to DC therefore is favorable to the sponsor because the risks are transferred to the member.

5.0 Summary, Conclusion and Recommendation

This section summarizes the key findings of the paper and the conclusion. It also draws the policy recommendations based on the study findings.

5.1 Summary

The study sought to examine the impact of converting Kenyan state corporations' retirement benefits schemes from defined benefits to defined contribution. The study also sought to investigate the factors leading to the slow conversion rate. Questionnaires were sent out to members of the sampled schemes which had either converted or were in the process of converting. The questionnaires were self administered and were geared to establish the perception of employees of the various state corporations in regards to the conversion process and how the conversion had affected them.

The findings revealed that state corporations were the various stages of conversion. The employees' perception in respect to the conversion varied from one organization to another and the employee's characteristics. The study also revealed that the contribution rates varied from one organization to another but most organizations had attained the maximum contribution rates of 10 percent for employees and 20 percent for employers as per the Treasury Circular No. 18/2010.

The study also showed that most employees of State Corporation had post secondary education[5] and most of them were aware in the scheme design and status of their schemes. However a few were not. Majority of respondents also agreed that they had adequate understanding in both the new and the old plans. However when asked whether the plans met their expectations, 60 percent of the respondents indicated that the previous plan met their expectations while 73.3 percent indicated that the new plan met their expectations.

Generally, most of the respondents agreed that the change in the retirement plan was good for them. Similar sentiments were exhibited across ages. On

[5] 65 percent of the respondents had university education.

whether they had received adequate information when the plan was being changed, majority of the respondents agreed that they had received adequate communication. Similarly, they agreed that their respective institutions had managed the change very well. When the respondents were asked whether they would consider changing to the old retirement plan if they were given a chance, majority of the respondents (55.6%) indicated that they would not change to the old retirement plan.

The simulation results also showed that there was no major difference between the DC and DB plan in terms of the final benefit value based on the assumptions adopted in the paper. We could not therefore conclude with certainty which of the two options is better since the final benefit value is dependent on various assumptions.

5.2 Conclusion

From the study findings it is evident the DB plans are losing dominance in the occupational pension system in Kenya and this trend is expected to continue in line the Treasury circular No. 18/2010 requiring all state corporation to convert from DB schemes to DC schemes. It is also evident the shift from DB to DC offers advantages to employees especially the who would wish to change jobs several times during their career. This is particularly so because DC plans are portable and the accrual risk associated with DB plans is not an issue, nor risk of employer insolvency, once plan contributions have been vested (Broadbent, Palumbo and Woodman, 2006). Similarly with the introduction of member participation in investment decisions and risk profiling in the investment of the pension funds, the DC provide employees with more control, choice and flexibility in the management of their retirement savings and investment.

The government objective of trying to ensure that there was equity in sharing cost of funding the schemes benefits between the employer and employee thus reducing the financial strain on the on the part of the sponsor has somewhat been achieved. Many state corporations have either converted or are in the process of converting. Similarly, the funding issues which most of the state corporations were facing have either been addressed or are being addressed before the conversion. The schemes have to satisfy provisions of the Retirement Benefits Act and its regulations including guidelines issued by the Retirement Benefits Authority, more so, the prudential guidelines on conversion and implementation of regulation 16 of the retirement benefits (Occupational Retirement Benefits Schemes) regulations 2000.

However, the shift present members with various challenges mainly because the risks which were previously borne by the sponsor are transferred to the member. These include: investment risks, inflation risk, and longevity risks. The shift also bestows other responsibilities to the member if the scheme offers the varoius investment choices of the members may not be aware of or prepared for. There is need therefore for policy makers to design pension policies that support high level of savings.

5.3 Recommendation

Based on the study findings the paper recommends the following:

- **Timely and Effective Communication**: although the Treasury circular was issued way back in 2010, however, many state corporations are still grappling with the conversion almost two years after the set deadline. The regulator on its part issued the prudential guidelines one year later after the deadline. This may have contributed greatly to delays in the conversion process. In order to ensure timely and expeditious implementation of government policies/directives, there is need for effective communication by the government and the regulator. The communication need to be comprehensive and clear so as to ensure full compliance. The communication should also be well coordinated and consultative.
- **Sensitization of Members:** The prudential guidelines issued by the Authority on 17th August 2012 required that the trustees submit to the Authority evidence of member education as well as the content and scope of materials used to explain to members the implications of the scheme redesigning. However, some of the respondents are still do not know the design of the scheme they belong to and the opportunities brought about by the new plan like selecting their desired investment portfolio. 16.7 percent of the respondents did not their scheme design. There is need for member sensitization so as to enable scheme members to make informed decisions in regards to the management and investment of their funds.

There is also need to educate members so as to ensure that they aware of their responsibility to plan for their retirement. There is therefore need to create a national awareness campaign/member education more so in the currently devolved government structures. There is need also to provide members with adequate and up to date information to enable them make appropriate savings and investment decisions.

- **Minimum Contribution Rates:** one of arguments put forward against the DC plans is the inadequate contribution rates, which may make it fail to provide an equivalent retirement income stream as a DB plan. There is therefore need for a legislation that sets the minimum contribution rates.

- **Develop and Strengthen the Annuity Market:** given the there is no guaranteed income upon retirement in the DC schemes, there is need to ensure that the annuity market is transparent and robust. The members need to be sensitized early enough in regards to various options available upon retirement so that the members are able to utilize this facility from an informed perspective.

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Questionnaire

Retirement Benefits Authority

QUESTIONNAIRE ON THE IMPACT OF CONVERSION OF KENYAN STATE CORPORATION RETIREMENT BENEFITS SCHEMES FROM DEFINED BENEFIT TO DEFINED CONTRIBUTION.

SECTION ONE: PERSONAL INFORMATION

Organization ………………………………………………………………….

Designation………………………………………………………………..

1. **Gender: Male [ ] Female [ ]**
2. **Age _________(years)**
3. **Highest Level of Education**

Primary ( ) **College/ Technical/ Polytechnic ( )**

Secondary ( ) **University ( )**

4. **Marital status:**

Status	Single	Married	Divorced	Separated	Widowed	Other
Response (*Tick*)						

5. **How long have you worked with your current employer? _______years**
6. **Cadre:**

( ) Senior management
( ) Middle management
( ) Officer

7. **Current Basic salary : ______________(Kshs.)**

8. **Allowances : ________________(Kshs.)**

9. **How much do you contribute to your retirement benefits scheme?**

Contribution	**Percentage (%)**	**Amount (Kshs)**
Your Contribution (Employee)		
Employer Contribution		

10. **What is the basis your monthly contribution?**

☐ **Basic Salary** ☐ **Gross salary** ☐ **I don't know**

SECTION TWO: GENERAL QUESTIONS

11. **Please indicate how much you agree with each of the following statements (*tick the responses as appropriate*)**

Statement	**Agree**	**Somewhat agree**	**Somewhat disagree**	**Disagree**
I would recommend my organization as one of the best places to work				
I intend to stay with my organization for the next several years				

I would stay with my organization even if offered a similar job with higher pay				

SECTION THREE: SCHEME CONVERSION

12. What is the design of your retirement benefit plan?

Defined Benefit ( ) Defined Contribution ( ) DON'T KNOW ( )

13. Has your scheme converted (or is it currently converting) from a defined benefit to a define contribution scheme?

YES ( ) NO ( ) DON'T KNOW ( )

14. Before the conversion what was the pension factor of your retirement benefit scheme?
……………………………………………………………………………………………
……………………………………………………………………………………………

15. Please indicate how much you agree with each of the following statements

Statement	**Agree**	**Somewhat agree**	**Somewhat disagree**	**Disagree**
I had an adequate understanding of the previous retirement plan and its benefits				
In general, the *previous* retirement plan met my expectation				
When the retirement plan was being changed, I received adequate communication about the change.				
In general, the organization managed the change in retirement plan very well				

Statement	Agree	Somewhat agree	Somewhat disagree	Disagree
I have an adequate understanding of the *new* retirement plan and its benefits				
Generally, the new retirement plans meet my expectations				
When I retire the new retirement plan will provide me with an adequate income				
Generally, the change in retirement was good for me				
The new retirement plan offers me an opportunity to select my desired investment portfolio				

16. The new retirement plan will provide me with:

Statement	Response (*Yes/No*)	Please Explain
Less retirement benefits than the previous plan		
About the same benefits		
More retirement benefits than the previous plan		
I do not know how the new plan impacts my retirement benefits		

17. How has the change in retirement plan caused you to change your expected retirement age

Statement	Response(*Yes/No*)	Please Explain
I plan to retire later		

I plan to retire at the same time		
I plan to retire sooner		

18. **(i) Did you intend to stay with your employer when the *old* plan was in effect?**

    YES [ ] NO [ ] UNSURE/ I DON'T KNOW [ ]

    (ii) Please explain your answer above

    …………………………………………………………………………………………

    …………………………………………………………………………………………

    …………………………………………………………………………………………

19. **(i) Do you intend on staying with your employer now that the new plan is in effect?**

    YES [ ] NO [ ] RETIREMENT PLAN HAD NO IMPACT [ ]

    (ii) Please explain your answer above

    …………………………………………………………………………………………

    …………………………………………………………………………………………

    …………………………………………………………………………………………

20. **How has the change in the retirement plan caused you to change your overall level of investments/ savings?**

Level of investment/ savings	**Response(*Yes/No*)**	**Please Explain**
I have increased my investments in other retirement plans		

Level of investment/ savings	**Response(** ***Yes/No*****)**	**Please Explain**
No changes		
I have decreased my investments in other retirement plans		

21. **How important is your organizations retirement plan in keeping you from looking for employment elsewhere?**

    [ ] Very important

    [ ] Important

    [ ] Somewhat important

    [ ] Not important

22. **(i)Given the chance, would you consider changing to the old retirement plan?**

    YES [ ] NO [ ]

    (ii)Kindly give reasons for the above answer.

………………………………………………………………………………………………
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Thank you for taking your time to fill in this questionnaire.