

FINAL



Retirement Benefits Authority

Safeguarding your retirement benefits

THE PENSIONER SURVEY 2019

*Examining the Social and Economic Factors Affecting the Life of
Occupational Schemes' Retirees.*

RESEARCH AND STRATEGY DEPARTMENT

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1.0 INTRODUCTION

1.1 Background

Wang and Shi (2014) define retirement as an individual's exit from the workforce, which accompanies decreased psychological commitment to and behavioral withdrawal from work. This definition emphasizes retirement as both a psychological process and a life status. Mboga (2008) defines retirement as a period in life when one transits into a new phase of life often with different engagements and challenges. She says that for most people the transition is usually filled with a lot of uncertainties as one parts from a significant activity that affects many of his/her life domains.

Fadila and Alam (2016) say retirement is a significant life change that affects various areas and in most cases, it entails changes to individual economic circumstances. Schlossberg (2004) says most people look forward to their retirement from full-time work, eagerly anticipating more free time and opportunities to play. But the reality of retirement can be different and hard to adjust to. She says unexpected challenges may present themselves, leading us to question who we really are and what we can reasonably expect to accomplish in the remaining years of our lives. We may be confused by our changing relationships with family and friends, which no longer conform to an easy structure.

There are serious social-economic consequences of low retirement income. In addition to increasing the burden on public finances, it increases the financial vulnerability of the elderly population, leaving many reliant on family for support. This in turn lowers the ability of many young families to save for their own future. The low retirement incomes result from workers saving too little or withdrawing funds early. This leaves workers, especially low and middle income earners, unable to adequately buy necessities during old age and retirement thereby exposing them to poverty.

Broadbent, et al (2006) observe that retirement security for some households is threatened by a lack of participation, low contribution rates, suboptimal asset allocation, early withdrawals and a failure or inability to annuitize plan assets at retirement that may reflect well documented behavioral biases and a lack of basic financial literacy. In view of the sheer magnitude of the growth in the old-age population globally, particularly in low and middle-income countries, ending poverty in all its forms everywhere, as called for by the 2030 Agenda for Sustainable Development, depends on the international community and national Governments recognizing and addressing old-age income insecurity (UNDESA (2015).

Denton and Spencer (2009) point out at confusing definitions of retirement underlying the concept of retirement. They say it is an essentially negative notion, a notion of

what people are not doing – namely, that they are not working. Denton and Spencer propose a more positive approach to focus, instead, on what people are doing, for example, their involvement in non-market activities that are socially productive, even if those activities do not contribute to national income as conventionally measured. Bender & Jivan (2005) say particular interest has been on retirement income adequacy, that is, the financial resources retirees need to be above some minimal level. They say focusing on just the economic well-being of individuals may miss other factors that influence overall welfare.

Retirement is a transition laden with anxieties which touch on many aspects of one's life. There are those who, nevertheless, look forward to their retirement from full-time work as a period of more free time and opportunities. To others, it is their individual's economic circumstance that drastically changes. However, there is a proposal that we not only look at a retiree's participation to economic activities, but their social productivity. In addition, focusing on financial adequacy may miss other factors influencing a retiree's welfare.

1.2 Problem Statement

Upon retirement, a member either receives all benefits as lump sum from a provident scheme or if he is a pension scheme member he is allowed to receive a third of benefits and use the remainder to buy annuity. We need to have a clear understanding of the member's life after retirement because different people respond differently to retirement. Thousands of members retire every year and we have no way of knowing what they go through. We need to record their lives and activities so that we effectively regulate retirement benefits industry.

1.3 Research Objectives

The Pensioners Survey seeks to establish the living standards of retirees and their general situation, especially their retirement income adequacy. The specific objectives of the study are:

- 1) To establish how retirees/pensioners perceive their retirement situation
- 2) To examine the social economic factors that affect pensioners/retirees
- 3) To identify policy interventions that could improve the livelihood of retirees in Kenya.

1.4 Scope of the study

The survey sought to understand the life of retirees or pensioners who were members of occupational schemes and retired in the last five years. The study focused on retirees of occupational retirement benefits schemes because occupational retirement benefits schemes form the bulk of retirement schemes in Kenya. In addition, majority

of the members of the occupational scheme are also members of National Social Security Fund (NSSF).

2.0 METHODOLOGY

This survey employed a number of research techniques both in the design and data collection. This section outlined the detailed methodology employed in the study.

2.1 Survey Design and Sampling

This study adopted a survey design involving a population of members of occupational retirement benefits scheme who retired in the last five years. A list with names and contact information of the retired members sourced from scheme administrators (external and internal) formed the sampling for the study.

Using the consolidated list obtained from the schemes, a sample size of 645 was then calculated using a scientific formula¹. Consequently, a random sampling was undertaken using computer generated random samples. The sampling took into consideration the demographic distribution of the pensioners across various counties in Kenya. The sample comprised both members who received one-off lump sum at retirement (members of a provident fund) and those who receive a pension (members of a pension scheme).

A structured questionnaire was administered to the sampled respondents through a face-to-face interview conducted by trained research assistants and overseen by a supervision team from RBA's research department. The data captured was both qualitative and quantitative. The data collected will be analyzed using excel spreadsheet and SPSS version 21.

2.2 Limitations of the Study

The sample of members of occupational retirement benefits schemes who had retired in the last five years excluded civil servants who are members of non-contributory Civil Service Pension Scheme. The other limitation of the study was the reluctance of some of the pensioners sampled to participate fully in the survey with some requesting for a token and others cancelling scheduled interviews due to fears of being corned. This situation was however ameliorated by having in place a team of supervisors convinced the intended respondents in order to forestall a low response rate.

¹ <https://www.surveymonkey.com/mp/sample-size-calculator/>

3.0 SURVEY FINDINGS

This section presents the results and findings of the survey from data analysis. The findings are also discussed in with an aim to answer the research questions outlined in the survey.

3.1 General Information on the respondents

This section gives results on the general information about the respondents interviewed during the survey. The general information include the distribution of respondents by county of residence and other demographic characteristics of the respondent such as age, gender, level of education and marital status.

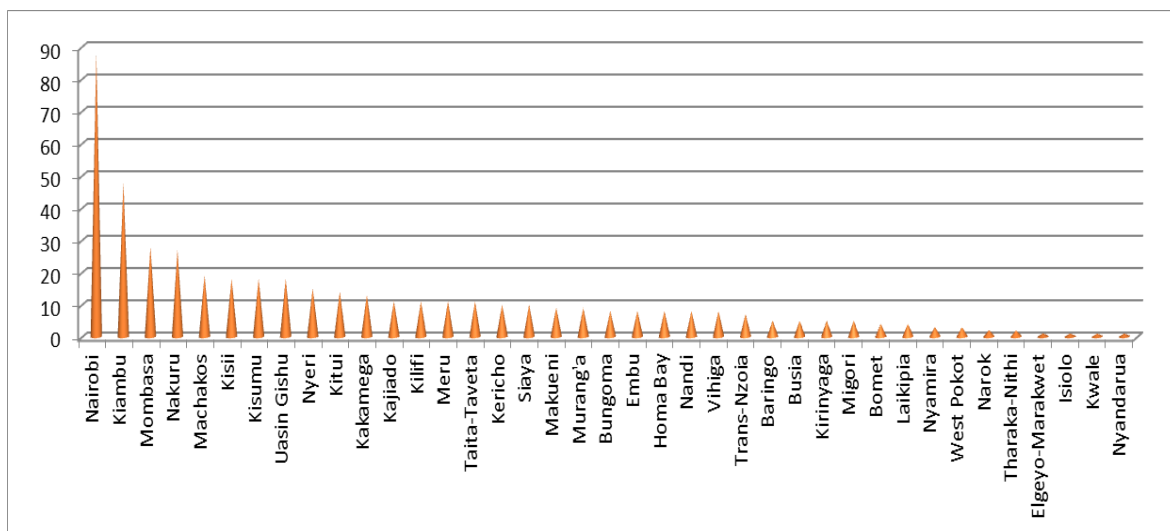
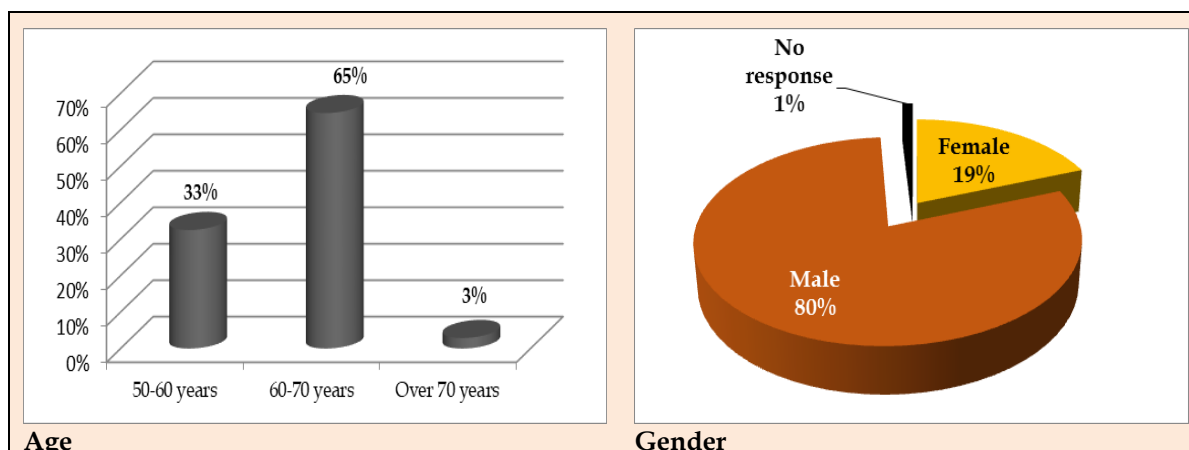


Figure 1: Distribution of Respondents by County

This study surveyed a total of 477 respondents who are retirees residing in 40 counties across the country. The results in figure 1 indicate that 55 per cent of the retirees resided in 8 counties with most of them in Nairobi followed by Kiambu, Mombasa, Nakuru, Machakos, Kisii, Kisumu and Uasin Gishu. The remaining 45 per cent of the retirees were residents of the other 32 counties.



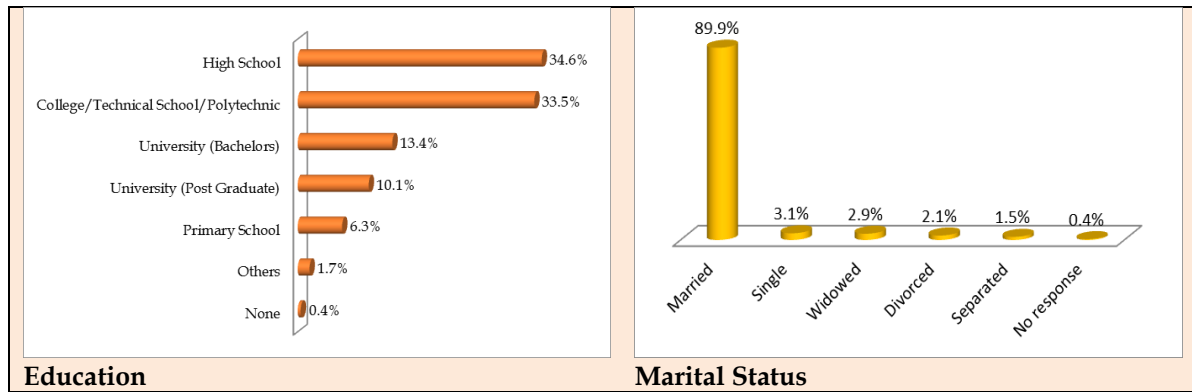


Figure 2: Demographic Characteristics of the Respondents

The respondents surveyed were aged between 50 to 70 years of age with a few being over 70 years. The male gender were the dominant at 80 per cent with about 90 per cent being married. Also, 35 percent of the respondents had completed high school with another 34 passing college certificate and a further 13 per cent having a bachelor’s degree. Other forms of education mentioned by the respondent include A-level, CPE & Form 4, 6.

3.2 State of Affairs Prior to Retirement

The life one leads at retirement is greatly dependent on the level of preparedness on was during the active working life. As such, it is always expected that one starts planning and saving for their retirement as early as when you start your first employment.

3.2.1 Employment Information

This section gives findings on employment information as well as level of savings amongst the sampled pensioners.

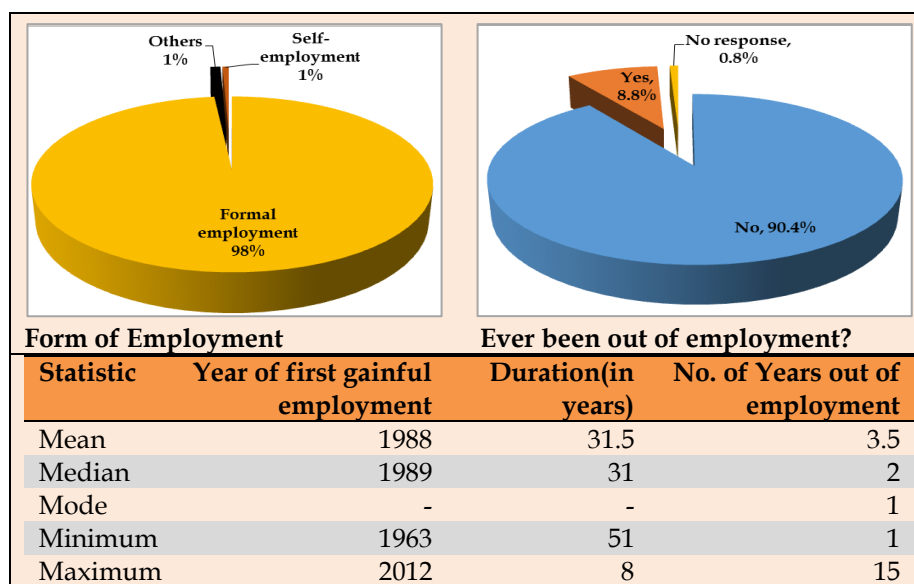


Figure 3: Employment history

The finding of the survey indicated that on average, the pensioners interviewed were first employed in late nineteen eighties translating to about 31 years since first employment. Some of them were employed as far back as 1963 yet others were first employed as recent as 2012. About 98 per cent of the pensioners were in formal employment and 90 per cent had never been out of employment with those who had been out of employment staying out for approximately 2 years.

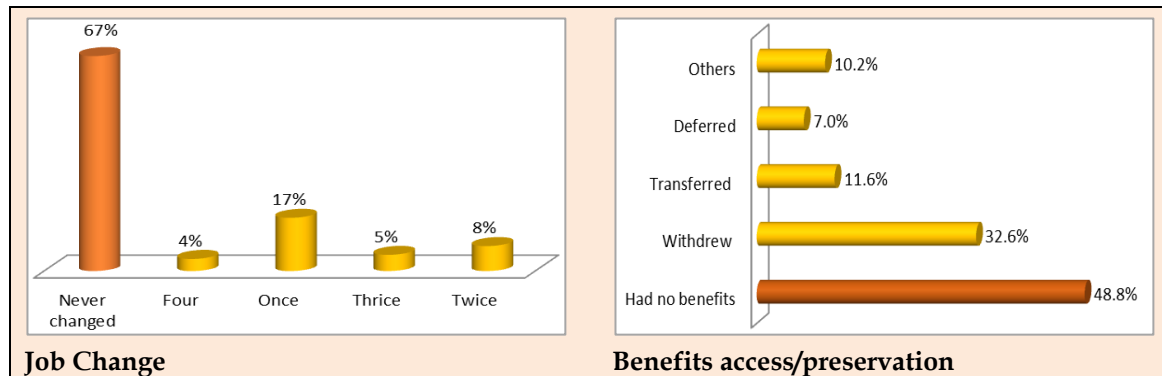


Figure 3: Frequency of Job Change and benefits preservation

The survey findings illustrate that 67 per cent of the pensioners interviewed had not changed jobs since their first employment. However, for those who had had changed jobs, 17 per cent had changed only once with another 8 per cent having changed jobs twice. About 49 per cent of those who had changed jobs had no benefits whereas 33 per cent of those who had benefits withdrew then on changing jobs.

3.2.2 Pre-retirement Earnings and Savings

During working life one is expected to have a savings scheme either in the retirement benefits scheme or other savings plans available to them. An employee is thus expected to dedicate some amount from their monthly income towards savings. This study sought to find out from the pensioners the level of retirement savings they made as well as of savings during their employment life.

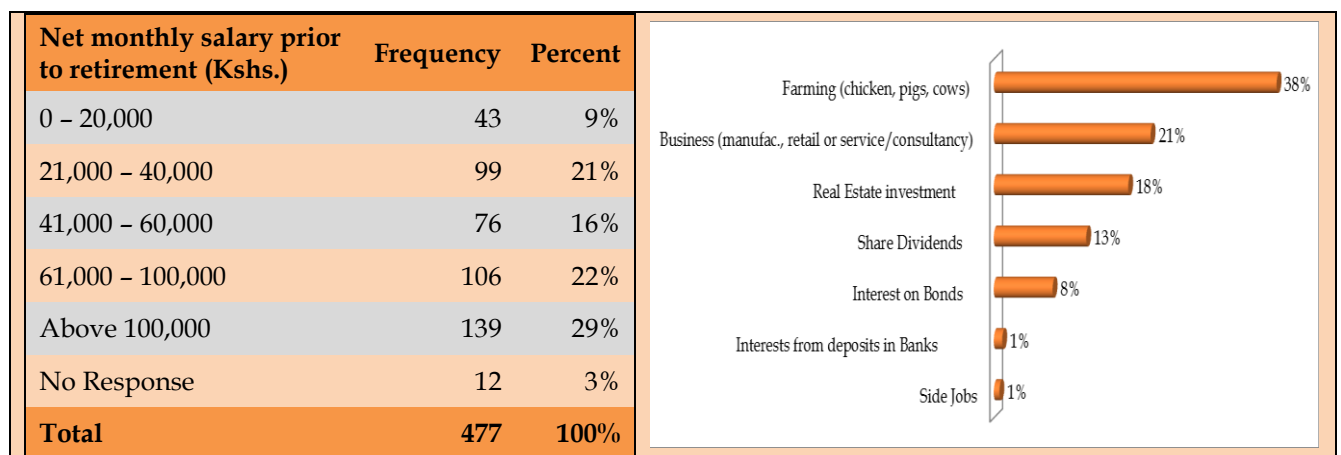


Figure 4: Sources of income before retirement

The survey findings revealed that prior to retirement, the sources of income pensioners were salary and incomes from others sources. The findings in figure 6 indicate that 51 per cent of the pensioner earned a monthly net salary of above Kshs. 60, 000. Aside from the salary, 59 per cent of the pensioners indicated that they had other sources of income before retirement while 40 per said they never had other income source. The main sources of income mentioned by the pensioners included farming, business and real estate.

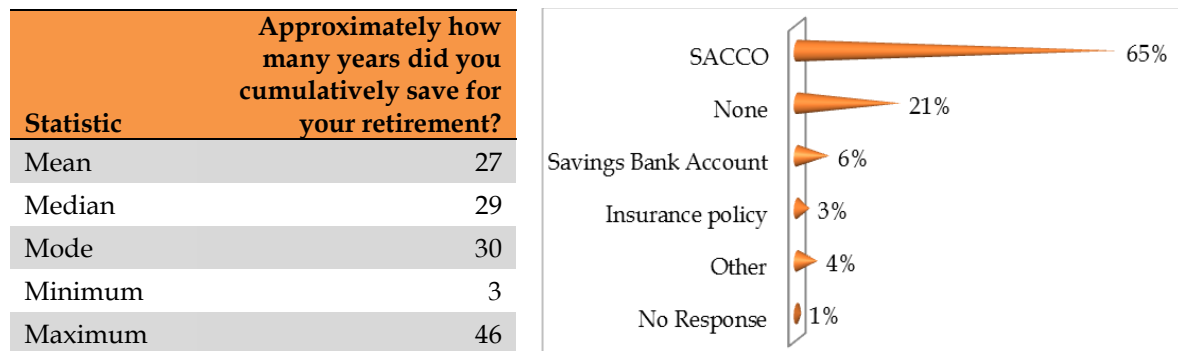


Figure 5: Retirement savings and other saving plans

The survey findings revealed that the pensioners had saved for about 29 years on average though most of them had saved for about 30 years. The other savings plan that pensioners utilized during their working life was savings and credit cooperative (SACCO) societies at 65% with others also buying insurance policies though a very insignificant number.

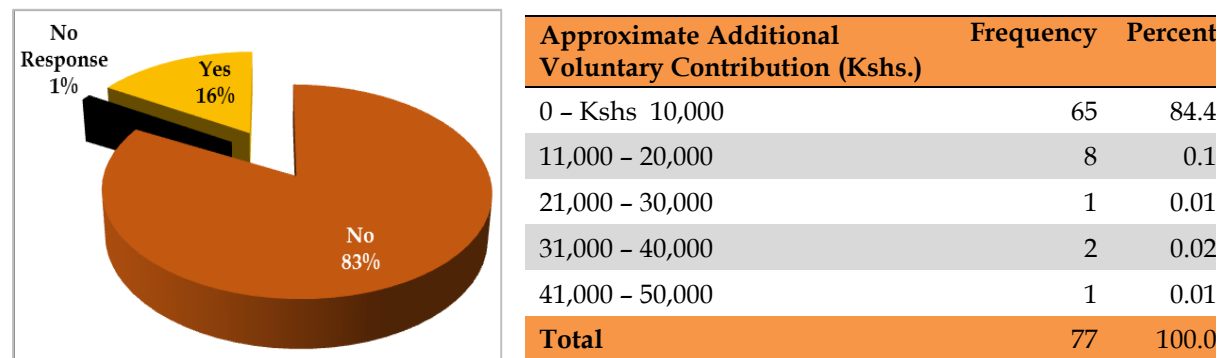


Figure 6: Additional Voluntary Contribution

The survey results in figure 8 illustrate that 83 per cent of the pensioners never made any additional voluntary contribution during their employment period. The 16 per cent who made additional voluntary contribution, 84 per cent saved less than Kshs 10,000. Reasons given by the pensioners for not saving more for their pension included other financial commitments and responsibilities, inadequate information on additional voluntary contribution and in some cases scheme restrictions while others were retrenched before accumulating enough savings for their retirement.

3.2.3 Retirement Planning Training

Retirement planning training is vital in equipping employees with requisite knowledge and skills necessary for the them in preparation for retirement. This training should be undertaken for employees well before their retirement date. This survey targeted at finding out whether pensioners were taken through this important training and how it shaped their retirement preparation level.

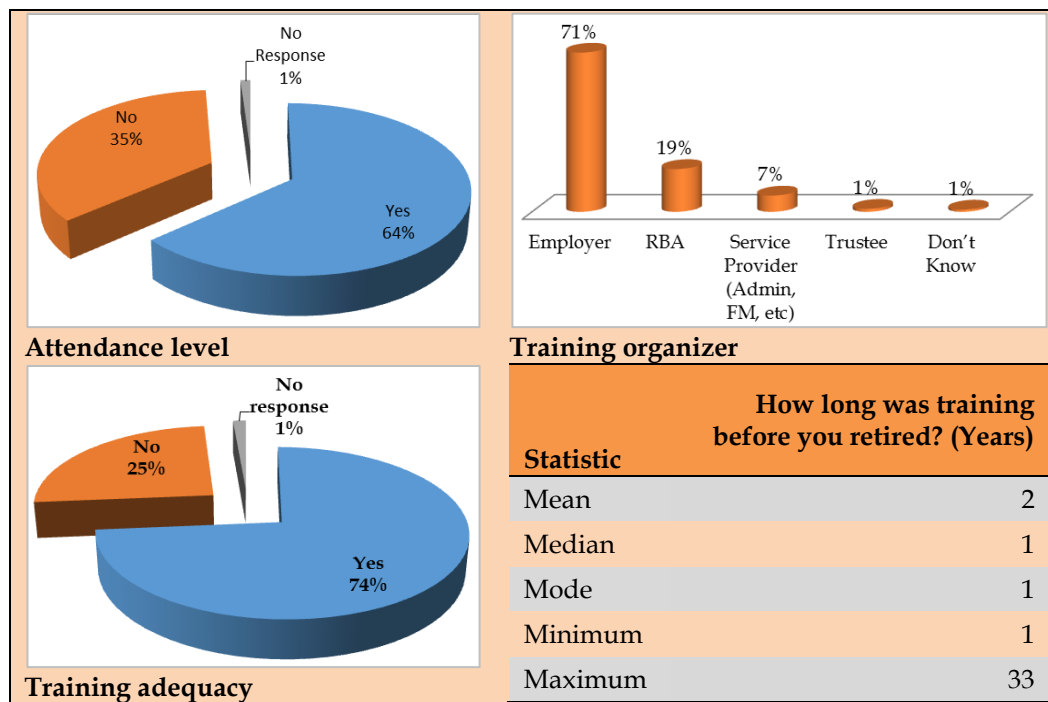


Figure 7: Retirement planning training

The survey results in figure 8 demonstrate that despite the importance of retirement planning, there were 35% of pensioners who retired without attending a retirement planning training and it was organized in about 1 year before retirement. Of the pensioners who attended retirement planning training, 71 per cent indicated that it was organized by employer with another 19 per cent mentioning RBA as the organizer. In addition, 74 per cent of those who had attended training said it was adequate.

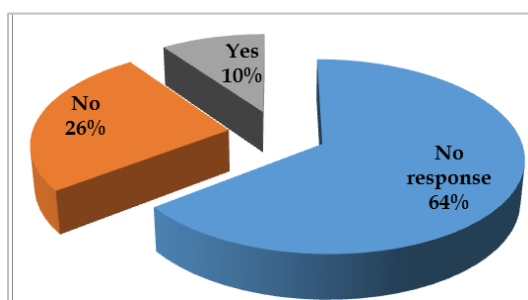


Figure 8: Level of AGM Attendance

The pensioners were asked during the survey whether they had attended any Annual General Meeting (AGM) in the last five (5) years before retirement and the findings revealed that 64 per cent of them were not able to respond the question. Only 10 per cent indicated having attended an AGM. There were varied sentiments from the pensioners both positive and negative. Those with positive sentiments allude to the fact that the AGM were informative and a good platform to get information on retirement preparation and how to survive it, financial position both for individuals and the scheme and investment strategy pursued by the scheme for the pension funds accumulated. The meetings were also used to issue members with statement, advise members on how to calculate their pensions, and encourage them to save more towards their retirement. However, the pensioners with dissenting sentiments mentioned that the AGMs had never yielded much as the agenda discussed were repetitive and were never implemented in most instances.

3.3 State of Affairs Post-retirement

This section gives the findings on pensioners’ experience right from the time of retirement and during the retirement life. The normal retirement age in Kenya is 60 years. However, upon attainment of 50 years of age, one can opt for early retirement. In either case, one is entitled to their accumulated benefits when they retire which can be paid as a one off lumpsum – incase of a provident funds or as lumpsum and monthly payments – in case of a pension fund.

3.3.1 Retirement modalities

This section provides the retirement modalities starting with an outline of the period which most of the pensioners invloved in the survey retired from employment and how they exited emploment.

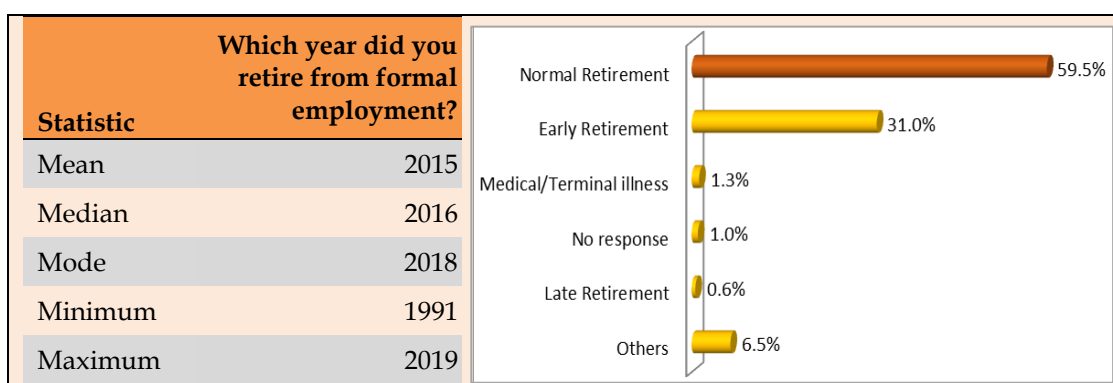


Figure 9: Retirement year and mode of exiting employment

The findings displayed in figure 5 indicate that on average the pensioners interviewed during the survey had retired from employment in 2016 which is within the five-year period of retirement from 2019 as had been planned during the sampling stage. The

finding also revealed that 60 per cent of the pensioners interviewed exited employment through normal retirement with another 31 per cent exiting through early retirement. There were about 6.5 per cent of pensioner who exited employment through other means mainly termination and retrenchment and resignation.

3.3.2 Retirement benefits payment and utilization

Payment mode of benefits is dependent on the type of a scheme, either provident fund or a pension scheme. In case of a provident fund, a member is paid all the benefits once as a lump-sum whereas in case of a pension scheme, one is paid one third of the benefits in lump-sum and the remainder is commuted in annuity or income draw-down. This survey sought to establish the various benefits payment modes preferred at retirement as well as the utilization of the lumpsum amounts paid to employees when they retire.

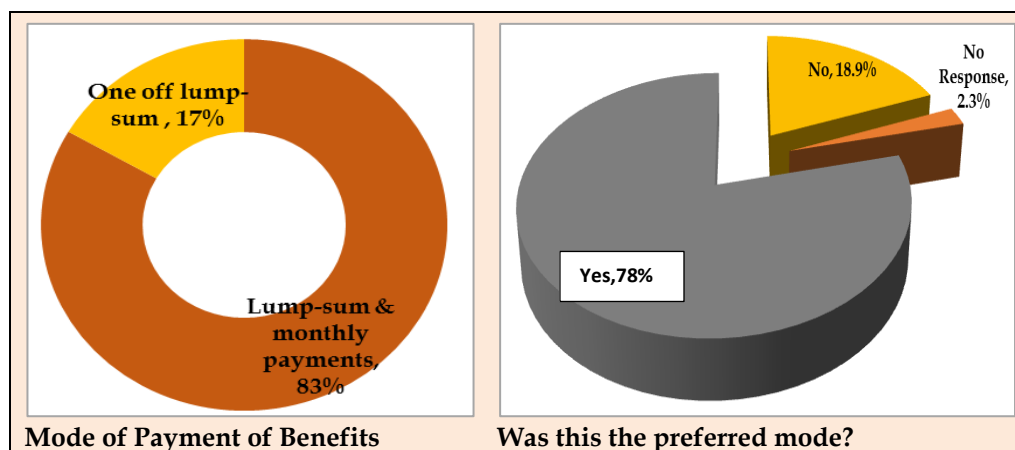


Figure 10: Retirement benefits payment

The results in figure 11 present the mode of benefits payment and the preference level for the payment same. It was established that 83 per cent of pensioners surveyed received their benefits as a lump-sum and monthly payment suggesting that majority were in a pension scheme. On overall, 78 per cent of the pensioners indicated preference for the mode they received their benefits payment. However, 35 per cent of the pensioners who received their benefits as one off lump-sum payment never preferred the mode. Likewise, 15 per cent of pensioners who received their benefits as lump-sum and monthly payments did not prefer that mode of payment. The reasons for non-preference of the mode of payment as mentioned by the pensioners was that most schemes rules only provided one option for payment of benefits.

It however apparent that in either case - whether in a provident fund or pension scheme - a member is often paid a lump-sum amount upon retirement. This survey finding on utilization of the lump-sum amount is displayed in figure 12.

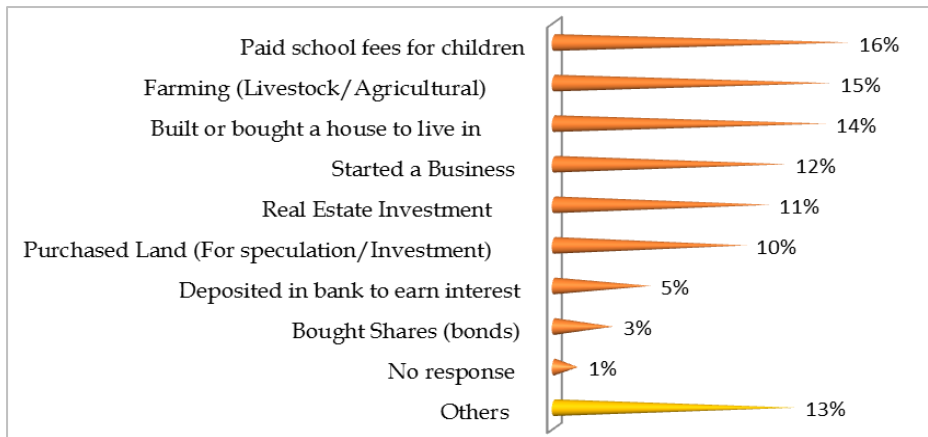


Figure 11: Expenditure of lump-sum payments

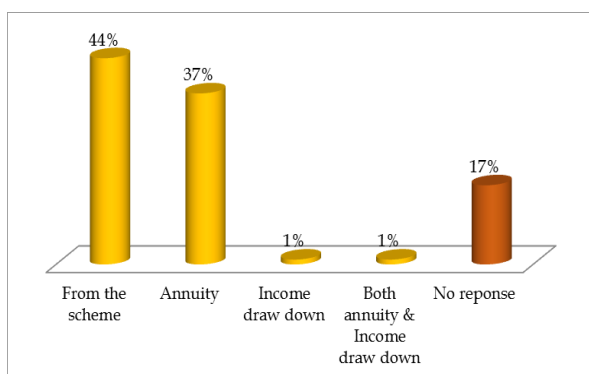
The survey results indicate that 78 per cent of the lump-sum was used to pay school fees for children, to undertake farming, to build or buy a house to live, start a business, invest in real estate or purchase land. The category of other expenditures included purchase a tractor, purchase of a truck or pick-up for business, purchase of personal car, loan repayment, payment of school fees and general household purchases.

3.4 Economic Well-being in retirement

The main reason people are encouraged to save more during their active working life is so that they don't experience old age poverty at retirement. The retirement savings are supposed to cushion pensioners by ensuring they have constant cash flows to support their everyday needs and maintain almost a similar lifestyle they led before retirement. This section examines the economic well-being of pensioners by looking at their monthly cash flows, their expenditure trends, the dependency level and the adequacy of benefits.

3.4.1 Main Sources of Income for Pensioners

This section gives an analysis of the main source of income as mentioned by the pensioners during the survey.



Approx. monthly pension	Frequency	Percent
Kshs 0 – Kshs 10,000	80	17%
Kshs 11,000 – Kshs 20,000	113	24%
Kshs 21,000 – Kshs 30,000	51	11%
Kshs 31,000 – Kshs 40,000	43	9%
Kshs 41,000 – Kshs 50,000	43	9%
Kshs 51,000 – Kshs 100,000	58	12%
Above Ksh 100,000	18	4%
No response	71	15%
Total	477	100%

Figure 12: Monthly pensions

Payment of monthly pension was found to be made mainly from retirement benefits schemes at 41 per cent and annuity providers at 37 per cent. A minimal number of pensioners were receiving their monthly pension from income draw-down. Over 50 per cent of the pensioners surveyed earned an approximate monthly pension of Kshs. 30,000 or less.

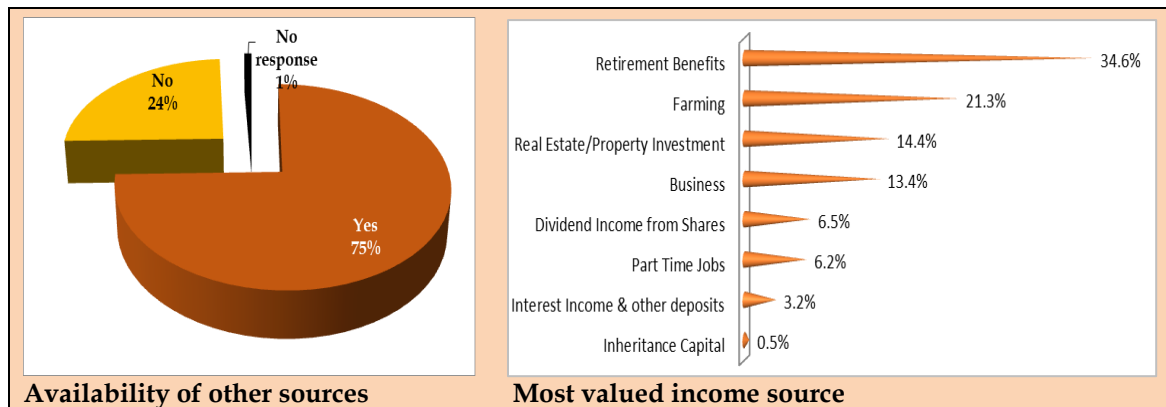


Figure 13: Sources of income for pensioners

The survey found that 75 per cent of pensioners had other sources of income aside from monthly pensions. However, in order of importance, pensions benefits still topped the list of the most preferred source of income for the pensioners. The other sources include farming, income from real estate investment and profits from business.

As illustrated earlier, some of the pensioners used the lump-sum received on investment expenditure. Consequently, 82 per cent those who invested their lump-sum expenditure indicated that the investments were still available and 74 per cent were doing well. The pensioners thus received some monthly income from the investment which varied across the various investment as displayed in table 1.

Table 1: Monthly investment income

Statistic	Average monthly income in Kshs. from;					
	Business	Real estate investments	Purchased Land (For speculation/Investment)	Interest earning deposits in banks	Farming (Livestock/Agricultural)	Shares (bonds)
Mean	33,520	43,547	14,695	20,010	17,957	35,189
Median	20,000	30,000	10,000	10,000	12,500	15,000
Mode	20,000	20,000	5,000	10,000	10,000	4,000
Min.	50	1,000	(14)	250	1,000	1,000
Max.	300,000	200,000	60,000	140,000	80,000	240,000

Those who had started a business mentioned that they earned an average amount of Kshs. 20,000 from while those had invested in real estate received about Kshs. 30,000 per month. In addition, investment in purchase of land earned the pensioners an

average monthly income of Kshs. 10,000. Further, pensioners who opted to deposit their lump-sum bank deposits received an average of Kshs. 10,000 in monthly interest. Finally, investment in farming and shares or bonds earned pensioners an average monthly income of Kshs. 12,500 and Kshs. 15,000 respectively. It is important to note that the monthly earnings varied across the various investments and amongst individuals.

3.4.2 Expenditure Pattern of Pensioners

This survey looked at the main recurrent expenditure areas for pensioners and the results of the analysis are as presented in this section.

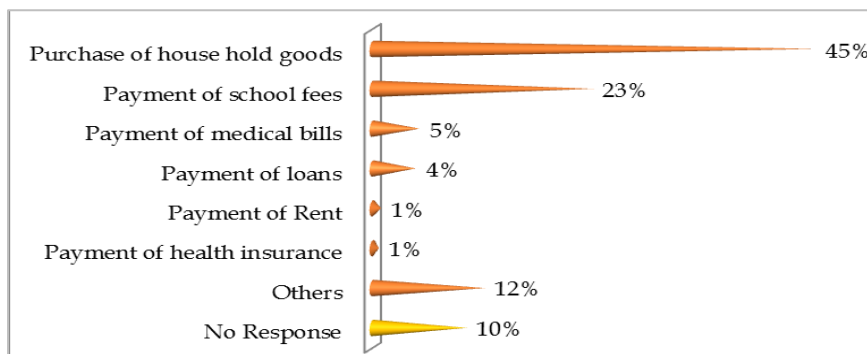


Figure 14: Main expenditure areas from monthly pensions

The results in figure 14 indicate analysis of the pensioners' responses on what their main expenditure area are out of the monthly pensions they receive. As such, 45 per cent of pensioners indicated that they utilized their monthly pension on purchase of household goods followed by payment of school fees at 23 per cent. They also spent their monthly pension on payment of medical bills, loans, rent and health insurance.

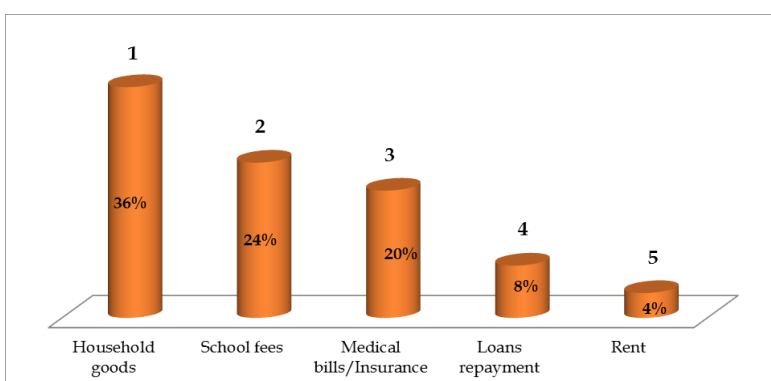


Figure 15: Priority items most spent on monthly

Out of the expenditure areas enumerated earlier, the pensioners proceeded to ranked in order of priority the item they spend on most on every month. The results in figure 15 indicate that purchase of household goods ranked the highest with payment of rent coming in last. The average amount of expenditure on the priority items is displayed in table 2 with the total average amount of monthly expenditure on the five priority

items being Kshs. 56,000. This figure varied across the items and individual pensioners depending the number of dependents and living standards. The other priority expenditure areas mentioned by the pensioners include farming and payment of workers, domestic use like electricity bills and social events, car maintenance, fuel and insurance, supporting others, travel and holidays, savings, completion of construction projects and boosting business.

Table 2: Average monthly expenditure on priority items

Statistic	Monthly Expenditure in Kshs. on;					Total
	Purchase of house hold goods	Payment of school fees	Payment of medical bills/Insurance	Payment of Loans	Payment of Rent	
Mean	18,535	24,880	8,553	28,195	14,846	95,009
Median	10,000	15,000	3,000	16,000	12,000	56,000
Mode	10,000	10,000	500	20,000	10,000	50,500
Minimum	1,000	500	500	500	3,000	5,500
Maximum	300,000	242,500	100,000	190,000	50,000	882,500

3.4.3 Adequacy of Retirement Benefits

Retirement benefits are considered adequate if they are able to keep a pensioner in almost the same or a better living standard one was at before retirement. The adequacy of benefits is greatly determined by the level of savings during working life. This section presents an analysis on pensioners’ perspective on adequacy of the benefits they received.

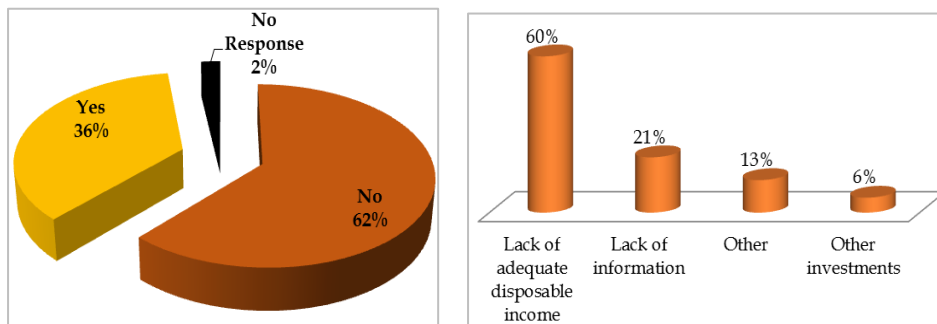


Figure 16: Sufficiency of retirement savings

The findings of the survey displayed in figure 16 indicated that 62 per cent of the pensioners interviewed felt that the savings they made were sufficient enough to sustain them during their retirement. However, they observed that lack of adequate disposal income was the main cause of the predicament for insufficient savings at 60 per cent followed by lack of information. The pensioner went ahead to suggest that they would be comfortable with an income amount above Kshs. 100,000

Table 3: Desirable level of income

Approximate level of income to live a life similar to the one before retirement in Kshs.	Frequency	Percent
0 – 20,000	26	5%
21,000 – 40,000	81	17%
41,000 – 60,000	105	22%
61,000 – 100,000	105	22%
Above 100,000	158	33%
Total	477	100%

3.4.4 Dependency Level

The level of dependency is ordinarily expected to decline upon retirement. This is an hypothesis which the survey sought to debunk by asking the respondents some questions to gauge the level of dependancy among the pensioners. This section gives the findings as regards depency level for the pensioners by looking at those directly depend on them including their own children and other relatives.

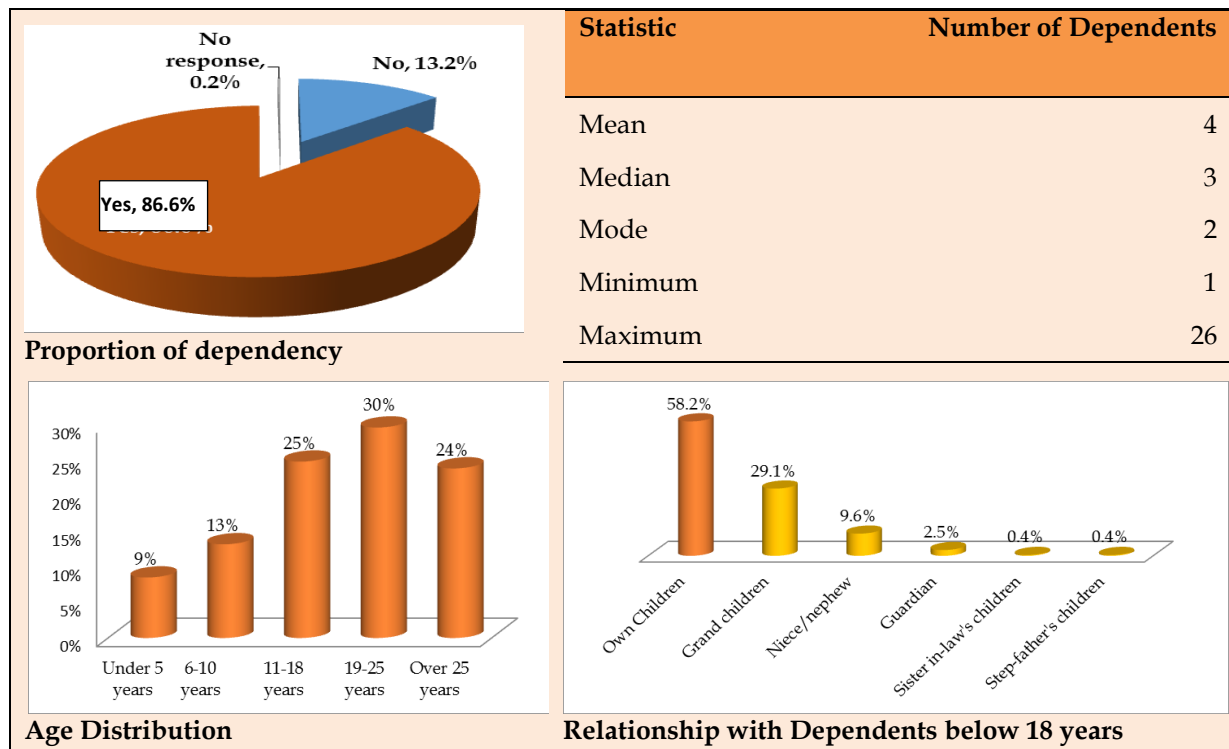


Figure 17: Dependency Levels among Pensioners

The survey finding revealed that 87 per cent of the pensioners surveyed had about 3 persons who directly depended on them. However, this number varied from as low 1 to as high as 26 dependents in some instances. More than 75 per cent of the pensioner’s dependents were below 25 years of age while 24 per cent were above 25 years old. Of the dependents below 18 years old, 87 per cent were either the pensioner’s own children (58 per cent) or grandchildren (29 per cent).

3.5 Social Well-being in retirement

Aside from the economic well-being of pensioners, it is equally important to understand their social well-being as most of retirees always opt to spend their retirement in rural homes. This implying they have to create a new social network aside from those had made during their working life. There is equally a shift in life style of pensioners by spending most of their time in the house with the family members. This section looked at issues relating to healthcare access and financing, psychosocial support by the family members and the general attitude and views of pensioners about life in retirement.

3.5.1 Healthcare access

Generally, it is expected that expenditure on medical bills would increase with advancement of age due creeping in terminal illnesses with aging. This survey wanted to examine how pensioners coped with the issue of healthcare financing.

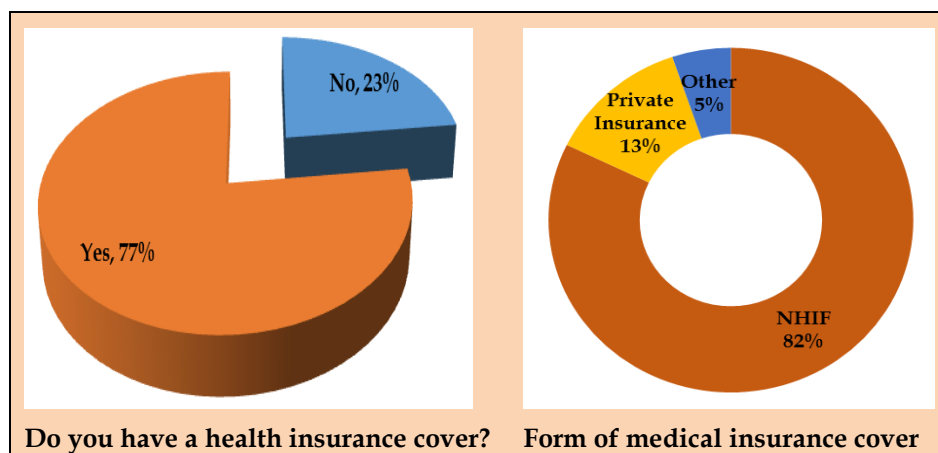


Figure 18: Health insurance cover

Health financing during employment is mainly a benefit accorded to staff through issuance an insurance cover which is often withdrawn upon retirement. This presents a new challenging scenario to pensioners of finding alternative ways of healthcare financing particularly those who has preexisting medical conditions and those with young dependents. The study findings displayed in figure 18 indicate that 77 per cent of the pensioners had a medical insurance cover mainly from National Health Insurance Fund (NHIF) as indicated by 82 per cent of them. Those who had working spouses mentioned that they use their spouse’s medical insurance cover while others had their bills paid by their schemes like KPA.

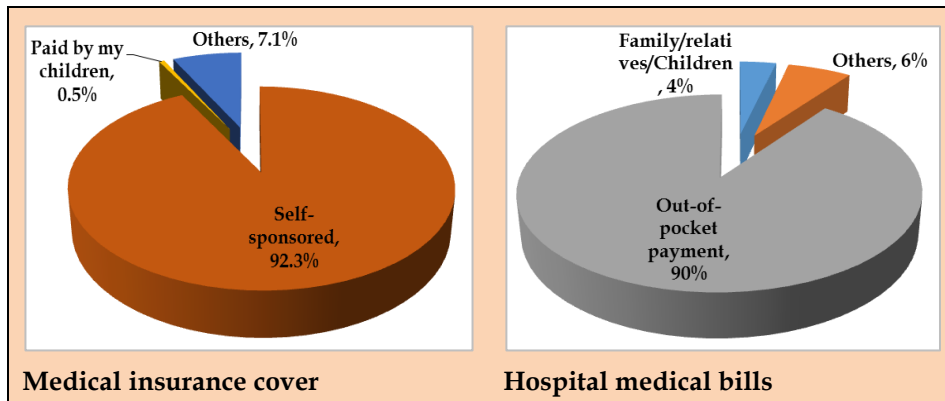


Figure 19: Healthcare financing

Pensioners were required to indicate how they financed their healthcare services in retirement. For those with medical insurance cover, 92 per cent indicated that they pay for them themselves using their own finances and a very insignificant number involved their children. On the other hand, those with no insurance medical cover financed their medical bill from out-of-pocket payment.

3.5.2 Pensioners’ views on life in retirement

This section presents an analysis on the views and opinion expressed by the pensioners concerning their retirement life in general. It equally looks at the pensioners’ description of their social relation within their families and whether they expect any kind of support from their children during the retirement life.

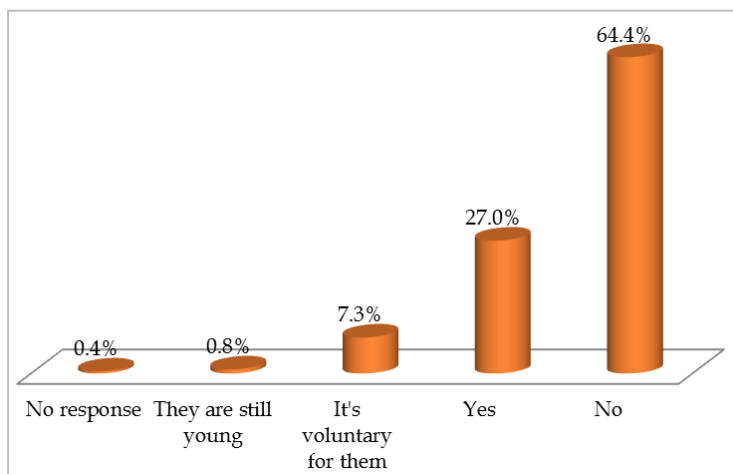


Figure 20: Support from children in retirement

A question was put to the pensioner on whether their children should assist them in retirement for instance, by providing additional income. The results of the survey showed that 64.4 per cent strongly believed that children should not assist their parent who had retired and they did so, it should be a voluntary affair out of their own volition. Those who insisted that children should assist their parents (27 per cent)

argued that they+ had invested in them during their working life and they were thus obligated to return the favor to their parents once they retired.

Table 4: Opinion on life in retirement

How would you describe your life in retirement?	Frequency	Percent
I am generally happy person	313	32.6%
I am enjoying my life	271	28.3%
I have a strong sense of purpose in life	147	15.3%
Every day activities are becoming difficult	62	6.5%
I am having trouble making ends meet	72	7.5%
I am isolated and lonely	7	0.7%
Other	87	9.1%

The opinion of other pensioners interviewed mostly revolved around them being contented with their retirement life. They stated that they were enjoying life and having free time which is more relaxing. Equally some mentioned that they had more time with their spouse and other family members. However, some of the pensioners were strained financially due to added responsibilities like paying for school fees while others had health complications which made them not to enjoy their retirement and miss employment privileges like medical cover.

Table 5: What Pensioners' miss most from your working days

What do you miss most from your working days?	Frequency	Percent
Company of colleagues, clients and friends	166	41.5%
Salary and other benefits like travels & trainings	65	16.3%
Nothing at all	64	16.0%
Work routine and meetings	59	14.8%
Medical insurance cover	28	7.0%
Financial privileges like loans	8	2.0%
My position	7	1.8%
Balanced diet	1	0.3%
Good life	1	0.3%
Reading books from library	1	0.3%
Total	400	100.0%

Asked what they missed most from their working life, the pensioners indicated that what they missed most was the company of colleagues, clients at work and friends they had made both at worked and where they lived. Also, the pensioners mentioned they the missed the salary they used to get and the other benefits that came with the employment like allowances from travels and trainings. Some also missed work routines and meetings, medical insurance cover, financial privileges like access to loans, and the job positions and the privileges that came with the office they held. These results are shown in table 5.

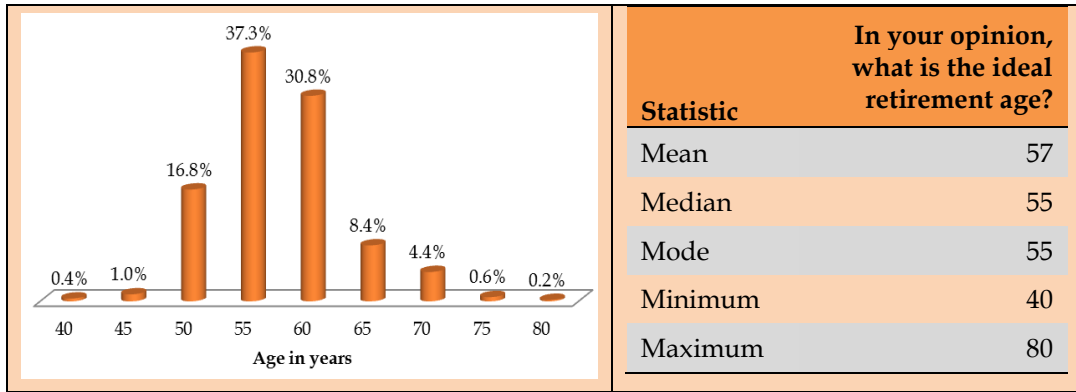


Figure 21: Ideal retirement age

The current retirement age in Kenya for majority of those in employment is 60 years. This survey posed a quotation to pensioners to seek their opinion on the ideal retirement age. The results displayed in figure 21 indicated that over 80 per cent of the pensioners preferred retirement age to be between 50 and 60 years old with the average being mentioned as 55 years as the most ideal age.

Table 6: What pensioners can do differently given another chance

If you were to be a member of a scheme again, what would you do differently?	Frequency	Percent
Increased my savings	214	79.0%
Do same thing	27	10.0%
Start an income generating activity	13	4.8%
Plan early for retirement	9	3.3%
Participate more in scheme events like AGMs, trainings	4	1.5%
Educated people on need to plan for retirement	2	0.7%
Contribute for medical insurance	1	0.4%
Gone back to school	1	0.4%
Total	271	100.0%

3.6 Perception on Saving for Retirement

This survey sought to solicit responses from the pensioners on the their perception on the whole issue of retirement. This section outline the findings from the survey as regard pensioner’s perception.

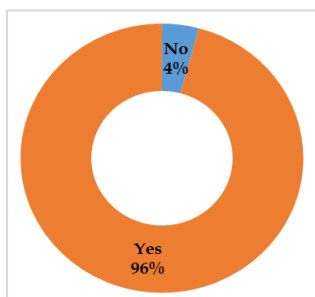


Figure 22: The value of saving for retirement

The survey found that 96 per cent of pensioners appreciated the value of saving for retirement with some mentioning that were they to get another chance, they would save more for retirement. The pensioners went ahead to give their opinion on what they liked in the retirement benefits schemes in which they were members. The three most liked things about their scheme include scheme efficiency and timeliness in payment of benefits. The pensioners also liked the scheme management and governance. Equally, the survey revealed that the pensioner liked the encouragement towards retirement savings and the sound advice they received from the scheme through trainings and other engagement mechanisms. The detailed results are illustrated in the results in table 7.

Table 7: Views on retirement benefits plan/schemes

What did you like in your retirement benefits plan/scheme?	Frequency	Percent
Prudent investment of funds	19	5.5%
Liked nothing	29	8.4%
Encouragement & advice on retirement saving	52	15.1%
Good scheme governance	53	15.4%
Efficiency and timely payments	192	55.7%
Total	345	100.0%

The pensioners went ahead to give their on the kind of changes they wished to see for the retirement benefits Industry. The suggestions ranged from pension administration, accumulation, investment and payments and are detailed in table 8.

Table 8: Suggested changes to retirement benefits industry

Suggested Changes	Frequency	Percent
Member Education & Sensitization on saving for retirement	143	19.8%
Incremental monthly pensions	123	17.1%
Enhance contribution rates	79	11.0%
Medical cover for retirees	75	10.4%
Benefits payment (timeline & Mode)	67	9.3%
Enhanced supervision of schemes	65	9.0%
Welfare of pensioners (Organize forums & involve them as trainers)	46	6.4%
Tax exemption for retirees	28	3.9%
Prudent investment of schemes funds high interest earning assets	20	2.8%
Mandatory contribution to pensions by employees	19	2.6%
Review the proportion for lump-sum and amount commuted	10	1.4%
Annuity regulation & Non-involvement of insurance companies in pensions	14	1.9%
Financial facility (pension guaranteed loans or Mortgage)	6	0.8%
Abandon preservation of benefits	5	0.7%
End-of-year gift/token for retirees	5	0.7%
Frequent engagement with retirees	4	0.6%
Involvement of members in scheme activities	4	0.6%
Fair calculation of benefits	4	0.6%

Suggested Changes	Frequency	Percent
Decentralize RBA	1	0.1%
Independent trustees	1	0.1%
More pension saving avenues	1	0.1%
Schemes consider disable dependents as permanent beneficiaries	1	0.1%
Total	721	100.0%

4.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This section gives a summary of the survey findings, conclusion and finally drawing some policy recommendations.

3.1 Summary of the findings

The Pensioners Survey is a biennial study undertaken by RBA since the year 2002 with the sole aim of establishing the living standards of retirees and their general situation, especially their retirement income adequacy in retirement. Specifically, the 2019 survey sought to among other things establish how pensioners perceive their retirement situation, examine the social and economic factors that affect them and identify policy interventions that could improve the livelihood of retirees in Kenya.

3.1.1 State of affairs prior to retirement

In order to examine the retirement situation of the pensioners, the survey assessed the state of affairs of pensioners prior to their retirement including their employment information, pre-retirement earnings and savings including additional voluntary contribution.

The survey findings established that 98 per cent of the pensioners were in formal employment. This was so because the sampling concentrated on pensioners who were members of occupational schemes. These pensioners had on average worked for about 31 years according to the findings. Further, it was established that 90 per cent of them remained in formal employment for the entire period since their first engagement in employment. The average period they stayed out of employment was 2 years implying they had the maximum opportunity to save as much for their retirement. Also majority of the pensioners didn't change jobs during their employment life except for 33 per cent who changed jobs. The ones who changed jobs had no benefits at the time of job change. However, only 33 per cent of the ones who changed jobs accessed their benefits.

As regards pre-retirement earnings, it was established that 51 per cent of the pensioners interviewed earned incomes above Kshs. 60,000. Further, 59 per cent indicated that they had other sources of income aside from their monthly salary. These other sources of income were mainly farming, business, rental income, dividends and interest from shares and bonds respectively.

Part of the income earned from employment was saved by the pensioners mainly in retirement benefits schemes. According to the survey findings, the average retirement saving period for the pensioners was 29 years. In addition to the retirement savings, 65 per cent of the pensioners saved in savings and credit corporative societies (SACCOs).

As regards additional voluntary contribution towards retirement, the findings revealed that over 80 per cent of the pensioners interviewed never made any additional voluntary contributions towards their retirement either due to financial commitment or inadequate information about the same. The minority of pensioners who made additional voluntary contribution never contributed any amount in excess of Kshs. 10,000.

Finally in examining the state of affairs of the pensioners prior to their retirement, the survey looked at the level of the pensioners engagement with scheme activities prior to retirement including participation in retirement planning training and attendance of annual general meetings (AGMs). It was found out that 35 per cent of the pensioners retired before attending a retirement planning training. Worse still, those who managed to attend the training only did so about 1 year to their retirement. These trainings, according to the pensioners, were mostly organized by the respective employers and RBA as mentioned by 71 per cent and 19 per cent respectively. On the positive side, 74 per cent of those who attended the training indicated that it was adequate. Regarding AGM attendance, it was found that 64 per cent of the pensioners interviewed were unable to respond to this question showing a awareness level among pensioners about this important yearly activity for members of schemes.

3.1.2 State of Affairs Post-retirement

In further examining the retirement situation of the pensioners, the survey equally looked at the state of affairs of pensioners after retirement. This revolved around examining the retirement modalities, retirement benefits utilization particular lump sum expenditure areas.

In examining the retirement modalities, the survey findings looked at ways through which the pensioners exited employment in which it was found that 60 per cent exited employment through normal retirement with 31 per cent opting for early retirement. This finding conforms with the sampling criteria that mainly targeted those who had exited employment through retirement in last five years. An insignificant minority had exited through retrenchment, termination and resignation.

With respect to utilization of retirement benefits, the survey findings revealed that 83 per cent of the pensioners interviewed received their benefits through the pension option of lump sum payment and monthly pensions. The other 17 per cent had been paid their benefits through a one-off lump sum payment. This implies most of the pensioners were members of pension schemes. An overall of 78 per cent of the pensioners interviewed indicated the method used to pay them their benefits was their preferred mode of payment. Conversely though, 35 per cent of those who received one-off lump sum payment indicated it wasn't their preferred mode of

payment which was same case to 15 per cent who received a lump sum plus monthly pensions. Those with dissenting opinion indicated that they would prefer if schemes would explain the options available and the subsequent consequences of each option before they make a choice.

Regarding findings on expenditure of the lump sum received, the survey established that pensioners spent the amount in various ways top among them being payment of school fees for their children, farming activities, buying or building a house to live in among others. They also mentioned other expenditure areas like starting a business, investment in real estate and purchase of land mostly for speculative purposes.

3.1.3 Economic well-being in retirement

The other objective of this survey was to examine the social and economic factors that affect pensioners in retirement. One of the ways in accomplishing this objective was to review the economic well-being of the pensioners by looking at their income vis-a-vis their expenditure patterns, adequacy of their income and the dependency level for the pensioners.

The survey revealed that the source of regular income for pensioners remained to be monthly pensions though 75 per cent of the pensioners indicated that they had other sources of income to supplement their monthly pension. The other income sources identified include farming that gave an average of kshs. 12,500. Rental income from real estate investment fetched an average of kshs. 30,000 for the pensioners this being the highest. In addition, profits from business fetched the pensioners kshs. 20,000 on average.

When it comes to the expenditure pattern of the pensioners, the survey findings established that the predominant expenditure areas included household goods coming first at an average of kshs. 10,000. This was followed by payment of school fees for their children at an average of kshs. 15,000 and medical bills/insurance premium which most of the pensioner paid about kshs. 500 per month. The other expenditure areas included loan repayment and rent at an average of kshs. 16,000 and kshs. 12,000 respectively.

The survey also examined the perception of the pensioners on adequacy of benefits. It was established that 60 per cent of pensioners observed that the amount the amounts they had saved was not sufficient enough to sustain them in retirement. The reason for inadequate retirement savings as noted by the pensioners was mainly due to inadequate disposable income while other cited lack of information. Consequently, they noted that in order for them to be comfortable in retirement they would require a monthly income ranging from kshs. 21,000 to above 100,000. This varied across the pensioners.

It was noted through the survey findings that the dependency level among the pensioners was still high. This was confirmed by 87 per cent of the pensioners who stated that they had people who directly depended on them. The average number of dependents per pensioner average 3 people with majority aged between 11 and 25 years of age. Majority of the dependents below 18 years of age were own children while the rest were grandchildren, nieces/nephews and foster children.

3.1.4 Social well-being in retirement

This involved examining the social context in which pensioners lived after retirement starting with healthcare of pensioners, perception on financial support from children after retirement and general views of pensioners on saving for retirement and the industry as a whole.

The survey established that 77 per cent of pensioners had a medical insurance 82 per cent being NHIF cover. The payment for the cover was mainly financed through the monthly pensions received by the pensioners at about kshs. 500. The pensioners without a medical cover stated that they financed their medical bills from out-of-pocket payment.

With regard to financial support from children, over 64 per cent of pensioners objected to the view that children should offer financial support to their retired parents. The main reasons given were that children should be given time and space to settle down and achieve financial stability as some of them were in temporary jobs and other were still unemployed. Those who were of the opinion that children should support their parents in retirement cited that since they had invested in them, it was their turn to take care of them when they are tired and not working.

As regards the general sentiments on retirement, 76 per cent had positive views about retirement stating that they were generally happy and enjoying their retirement. They equally noted that they had a strong purpose in life from the time they commenced their retirement. Equally, the pensioners stated that what they missed most about their employment life was the social company and networks they had created with co-worker, clients and the community they stayed with in their various residences. Another sizeable number of pensioners also missed salary and employment benefits with other missing work routines and meetings.

Asked about the ideal retirement age, the pensioners observed that the retirement age should be between 50 to 60 years with the average suggested age being 55 years of age. This age they believed was early enough for retirees to adjust with their new environment and engage in other productive activities. Given another chance, the pensioners noted that their key priority would be to increase their savings towards retirement.

Finally, with respect to the pensioners perception about saving for retirement, the survey found out that 96 per cent had high regard for saving for retirement. As such, they observed that what they liked most about their retirement benefits scheme was their efficiency and timely payment of benefits. They equally liked the management and governance of the schemes while others liked the good advice they received from the schemes. Following from the foregoing, the pensioners gave a number of suggested changes which they believed would be beneficial to the retirement benefits sector. Key among the suggested changes included intensified member education & Sensitization on saving for retirement particularly the young worker, adoption of incremental monthly pensions though indexation of pensions, enhanced contribution rates and provision of an affordable medical scheme for retirees.

3.2 Conclusion

In conclusion, the 2019 survey set out to establish the living standards of retirees and their general situation, especially their retirement income adequacy in retirement. Specifically, the survey aimed at examining how pensioners perceived their retirement situation, the social and economic factors that affect them and identification of policy interventions that could improve the livelihood of retirees in Kenya. The survey objectives were exhaustively accomplished through a sample survey of pensioners who were members of occupational retirement benefits schemes who retired in the last five years. The respondents were randomly sampled while taking into consideration the geographical representation in terms of counties.

In examining how pensioners perceived their retirement situation, the survey looked at the state of affairs on the pensioners both pre and post-retirement. Likewise, to establish the social and economic factors that affect pensioners in Kenya, the survey reviewed both the economic and social well-being of the pensioners in retirement. Finally, in identifying policy interventions for the retirement benefits sector, the survey solicited views from the pensioners on their perception on retirement and their general opinion on suggested changes they would wish to see in the retirement benefits industry.

3.3 Recommendations

The recommendations for this survey are derived from the key findings arising from the analysis of the data collected from the sampled pensioner. The following are some of the recommendations;

- 1. Adoption on an incremental monthly pensions.** Monthly pension remains the priority source of income for pensioners in retirement. As such, it was observed the amount generally remained constant overtime despite the changing economic times brought about economic shocks and the erosion of disposable

income by inflation. Consequently, it is recommended that the monthly pension be incremental by indexing it to inflation at the point of doing the annuity calculation.

- 2. Medical cover for pensioners.** Even though the authority made provision for post-retirement medical fund and even developed regulations on the same, the uptake by schemes is still low. The survey established that most of the pensioners had NHIF cover. As such, the authority can leverage on this to negotiate for an enhanced cover for pensioners at an affordable rate that would be affordable to majority of the pensioners.
- 3. Improvement of the general welfare of the pensioners.** The pensioners felt generally isolated after their retirement. As seen in the survey findings, most of the pensioners had lost most of the social company and connections they had established during their working life. In addition the retirees had lost some the financial privileges they had while they were working. As such it is recommended that the authority in collaboration with other industry places work on a welfare scheme for the pensioners. Through this welfare scheme, the pensioners would be able to be frequently engaged through regional engagement forums. The pensioners also suggested that the authority should consider incorporating retirees in their retirement planning training so that they give their testimonies and also tap into their knowledge and experiences. Schemes could also organize for some annual tokens or end of year gifts for retirees so that they feel a sense of social companionship. **Finally, it is** suggested that scheme can establish a financial support programme that would be able to offer loans to pensioners which they can repay using their monthly pensions.
- 4. Enhance regulation and supervision of schemes.** The survey established that some schemes experienced non-remittance of contributions as mentioned by some of the pensioners. This in turn affected payment of benefits to those retiring. As such it is recommended that the regulator looks into the issue of non-remittance and take stern remedial measures as laid out in the relevant legislations to forestall any delay in benefits payments due to non-remitted contributions to schemes.
- 5. Early and regular education and sensitization of scheme members.** One of the issues that prominently came out of the suggested changes by the pensioners was the issue of education sensitization on retirement planning and saving. Some of the pensioners retired without attending a retirement planning training. At the same time, those who attended the training claimed that it came to close to retirement hence they could not apply most of the knowledge passed on to them. Therefore, it is recommended that RBA in collaboration with schemes should organize for retirement planning training for schemes member

preferably at their places at an interval of between 3 to five years. The training should also happen early during employment so that it can impart useful skills to members to how to adequately prepare for retirement.

6. **Flexible benefits payment modes and review the lump sum and commutation proportions.** Though most of the pensioners preferred the mode of benefits payments, some of them suggested that this should be made flexible so that a member makes an informed choice. In addition, there were suggestions for a review of the lumpsum proportion of one third paid in pensions fund schemes.
7. **Review of pension contribution rates.** There was a general feeling that the amount saved for retirement wasn't sufficient with some pensioners even suggesting that if they were given another chance, they would increase their savings. This can be achieved through concerted campaigns for additional voluntary contributions and also incentivizing employers to enhance their contribution rates for their employees.
8. **Review taxation of benefits policy to provide a tax exemption to pensioners.** Most of the pensioners complained about the taxation of monthly pensions for those below 65 years. They equally voiced a concern on the filling of tax returns for the pensioners mentioning that it was cumbersome and tasking. It is therefore recommended that tax exemption for pensioners should be taken as a policy change issue that can be adopted during policy review exercise.

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