

RETIREMENT BENEFITS AUTHORITY
RESEARCH & POLICY ANALYSIS DEPARTMENT

PENSIONERS SURVEY 2004
FINAL REPORT

June, 2005

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INTRODUCTION

As part of fulfilling its mandate of developing the retirement benefits industry and providing relevant policy advice to the Government on the industry, the Retirement Benefits Authority carried out its third pensioners and retirees survey in late 2004. As in the previous surveys the underlying objective was to establish the circumstance of retirees in this country and their experiences as members of retirement benefits schemes.

The survey targeted recently retired members of retirement benefits schemes. The survey was primarily carried out by administering a questionnaire to a randomly selected sample of retirees located in different parts of the country.

OBJECTIVES

The specific objectives of the pensioners and retirees survey 2004 were:

1. To establish the relative importance and contribution of retirement benefits to the income stream of retirees.
2. To establish how retirees applied their lump-sum benefits.
3. To establish the difficulties and challenges faced by retirees and pensioners in securing their retirement benefits.
4. To assess the impact of the Retirement Benefits Act on retirees and pensioners by comparing status of those who retired before commencement of the Act to those who retired after.
5. To draw policy recommendations to improve the situation of current and future pensioners and retirees in Kenya.

METHODOLOGY

1. The population of retirees was established from the different schemes. This population consisted of retirees from the database established during the 2003 pensioners' survey plus additional retirees from updated lists sent to the Authority by scheme trustees and administrators. The population excluded retirees who had participated in previous surveys, those who were outside of the Kenyan geographical territory and those whose contact addresses were not sufficiently detailed. This process resulted in sample able population of 3246 from 30 schemes.
2. A stratified random sample of 500 retirees was selected from the population. The sample was stratified to ensure that all schemes represented in the population were also represented in the sample.
3. All 500 retirees were written to and requested to voluntarily participate in the survey.
4. By the cut-off date, 110 retirees had responded and agreed to participate in the survey. Other retirees either did not respond at all or responded after the deadline or responded but declined to participate in the survey.
5. Trained enumerators were sent out to administer the questionnaire to the retirees at the time and place that the retirees themselves had specified.
6. The completed questionnaires were coded and entered into a Microsoft Access 2002 database.

SAMPLING ISSUES

The following were identified as potential source of bias in the population and sample:

- Schemes/administrators that provided data may be biased towards the better managed schemes/administrators. Poorly managed schemes/administrators may have opted not to participate to avoid exposure by dissatisfied members.
- Many schemes that pay final lump sum benefits do not keep records of retirees who have been paid final dues. The sample may be biased to schemes paying monthly pensions.
- Communication difficulties may have prevented retirees in very remote areas from receiving the invitation to participate or from being able to contact the Authority.

SUMMARY OF FINDINGS

SECTION A: SAMPLE DATA

1. Overall

	2004	2003
Sample Size:	110	107

2. Sex

	2004	2003
Male:	76.1%	74.8%
Female:	23.9%	25.2%

3. Age

	2004	2003
Average Age:	59.0 years	54.7 years
Male:	60.0 years	60.3 years
Female:	55.3 years	49.1 years

Low average age for females is as a result of widows who were surviving spouses of members of schemes who had passed away resulting in a spouse pension being paid to the widow.

4. Location

Region	2004 Number	2004 Percent	2003 Percent
Nairobi	36	32.8	34.6
Central	16	14.6	20.6
Nyanza	11	10.0	11.2
Western	13	11.8	10.3
Coast	8	7.2	8.4
Eastern	15	13.6	8.4
Rift	11	10.0	6.5
Total	110	100.00	100.00

5. Marital status

	2004	2003
Married:	84.5%	72.09%
Single:	1.8%	6.5%
Widow/er:	12.7%	20.6%
Divorced	0.9%	0.0%

6. Dependents cared for by retiree

	Average Number of Dependants	Maximum Number of Dependants
Male	4.9	20
Female	3.4	8
Overall	4.5	20

Age of Dependants

Under 5 years	5-15 years	16 – 25 years	Over 25 years
12.6%	30.6%	34.2%	22.5%

7. Did retiree change jobs during working life?

	2004	2003
Stayed with one employer:	59.1%	54.2%
Changed Jobs:	40.9%	45.8%

	Changed	Stayed with one employer
Retired 1998 or earlier	41.1%	58.9%
Retired 1999 – 2001	38.7%	61.3%
Retired 2002 – 2003	52.6%	47.4%

How benefits were treated on change of job (data for 45 respondents who changed jobs:

Lump sum withdrawal:	26.7%
Transferred to new employers scheme:	24.4%
Deferred benefits to retirement age:	7.1%
Not entitled to any benefits	33.3%

8. Number of years since retirement

Less than six months:	0.0%
Six months to one year:	0.0%
One year to three years:	17.3%
Three years to six years:	28.2%
More than six years:	50.9%
No response/don't know	3.6%

SECTION B: BENEFITS

9. Type of scheme

Pension Scheme:	73.6%
Provident Fund:	15.5%
No response/don't know:	10.9%

Type of scheme preferred by respondent

	2004	2003
Pension Scheme:	61.8%	67.3%
Provident Fund:	16.3%	17.8%
No response/don't know:	21.8%	15.0%

Was member of:	Prefers:	2004 Percent	2003 Percent
Pension	Pension	48.2%	59.8%
Pension	Provident	13.6%	13.1%
Pension	Don't know	11.8%	7.5%
Provident	Pension	10.0%	5.6%
Provident	Provident	2.7%	3.7%
Provident	Don't know	2.7%	0.9%
Don't know	Pension	3.6%	1.9%
Don't know	Provident	0.0%	0.9%
Don't know	Don't know	7.3%	6.5%

Reasons why pension scheme preferred

Guaranteed Monthly Income	43 responses
Ability to invest:	3 responses
Possibility of Squandering Lump sum:	23 responses

Reasons why provident fund preferred

Lump sum for investment, settling debts etc:	15 responses
Control over benefits	1 response

10. Sources of income

Ranking of pension income

(87 respondents 2004, 82 respondents 2003)

	2004	2003
Pension is the most important source of income	72.4%	68.3%
Pension is 2nd most important source of income	13.7%	22.0%
Pension is 3rd most important source of income	5.7%	8.5%
Pension is 4th most important source of income	8.0%	1.2%

Pension is only source of monthly income = 20.9% of sample

Pension is only source of monthly income = 26.4% of pensioners

Other sources of income

(some respondents with multiple sources)

Source	Number of Responses	2004 %	2003 %
Farming	53	38.5%	42.6
Business	36	26.2%	22.1
Rent	32	23.1%	19.9
New Job	9	6.5%	6.6
Investments	6	4.3%	5.1
Family	2	1.4%	3.7
	138	100.0	100.0

Average, minimum and maximum amount of monthly income by income source

Source	Average, Shs	Maximum, shs	Minimum, shs	Count
Pension	16,722.66	100,000.00	193.00	87
2 nd source	22,169.65	150,000.00	200.00	72
3 rd source	15,224.29	60,000.00	500.00	35
4 th source	26,828.57	175,000.00	3,160.00	14

Monthly Pension income

	Average, shs	Median, shs	Std Deviation, shs	Maximum, shs	Minimum, shs
Retired 1998 or earlier	18,928.13	9,528.00	5,280.67	100,000.00	193.00
Retired 1999 - 2001	16,645.16	6,357.00	25,118.98	100,000.00	1,000.00
Retired 2002 - 2003	10,849.73	6,000.00	12,694.31	52,000.00	1,580.00

11. Years saved for retirement

	Average number of years of saving	Minimum number of years of saving	Maximum number of years of saving
Males	22	4	35
Females	20	8	34
Retired 1998 or earlier	22	5	34
Retired 1999 - 2001	19	4	32
Retired 2002 - 2003	25	14	35

12. Monthly salary contributed to retirement scheme by employee (25 respondents reporting percentage)

	Average contribution	Minimum contribution	Maximum contribution
Males	7.7%	2%	33%
Females	16%	5%	27%
Retired 1998 or earlier			
Retired 1998 or earlier	11.2%	2%	33%
Retired 1999 - 2001			
Retired 1999 - 2001	9.5%	3%	27%
Retired 2002 - 2003			
Retired 2002 - 2003	5.4%	2%	10%

Or, monthly salary contributed to retirement scheme by employee (41 respondents reporting amount)

	Average contribution	Minimum contribution	Maximum contribution
Males	1,506.94	17.00	5,700.00
Females	1,566.40	80.00	6,600.00
Retired 1998 or earlier			
Retired 1998 or earlier	1,228.70	17.00	6,600.00
Retired 1999 - 2001			
Retired 1999 - 2001	1,570.20	278.00	5,000.00
Retired 2002 - 2003			
Retired 2002 - 2003	2,081.25	250.00	5,700.00

13. Proportion of monthly salary contributed to retirement scheme by employer

	Average contribution	Minimum contribution	Maximum contribution
Males	13.8%	5%	50%
Females	8.3%	5%	10%

14. Monthly salary before retirement

Amount (Kenya Shillings)	2004 Percent	2003 Percent
<500	0.0	0.0
501- 1000	0.9	0.9
1001- 5000	6.4	6.5
5001- 10000	13.5	19.6
10001-20000	21.8	24.3
20001-50000	32.7	22.4
50001-100000	13.6	13.1
100001-200000	6.4	6.5
200001-4000000	1.8	2.8
>400001	0.0	0.0
No response/don't know	2.7	3.7

15 Was contribution made to scheme ideal?

	2004	2003
Yes:	34.5	37.4%
No:	65.5	62.6%

	Yes	No
Males	40.5%	59.5%
Females	15.4%	84.6%
Retired 1998 or earlier	37.5%	62.5%
Retired 1999 - 2001	35.5%	64.5%
Retired 2002 - 2003	31.5%	68.4%

16 Did respondent know amount of benefits due at retirement?

	2004	2003
Yes:	60.0%	39.2%
No:	40.0%	60.8%

	Yes	No
Males	60.7%	39.3%
Females	57.7%	42.3%
Retired 1998 or earlier	57.1%	42.9%
Retired 1999 - 2001	61.3%	38.7%
Retired 2002 - 2003	78.9%	21.1%

Source of information on benefits
(some respondents have multiple sources)

	Employee Guide	Benefits Newsletter	Benefits Statements	Personnel Dept.	Other	No. Information
Retired 1998 or earlier	3.4%	3.4%	17.2%	25.8%	6.9%	43.1%
Retired 1999 - 2001	2.7%	5.4%	18.9%	16.2%	24.3%	32.4%
Retired 2002 - 2003	13.3%	13.3%	23.3%	30.0%	6.6%	13.3%

17 Lump sum benefits

	2004	2003
Yes:	95.5%	89.7%
No:	4.5%	10.3%

Amount of lump sum benefits

	Average amount	Minimum amount	Maximum amount
Males	654,861.00	19,000.00	5,400,000.00
Females	844,681.00	30,000.00	9,000,000.00
Retired 1998 or earlier	583,959.00	19,000.00	9,000,000.00
Retired 1999 - 2001	860,518.00	42,000.00	5,400,000.00
Retired 2002 - 2003	798,129.00	160,000.00	3,000,000.00

	Average amount	Minimum amount	Maximum amount
Members of Pension Schemes	654,488.00	19,000.00	9,000,000.00
Members of Provident funds	830,913.00	41,000.00	2,000,000.00
Members who don't know type of scheme	809,111.00	35,000.00	3,600,000.00

How was lump sum benefit used? (respondents have multiple answers)

Usage	Percent of responses 2004 Survey	Percent of responses 2003 Survey	Percent of responses 2002 Survey
Paid School Fees	22.8	21.9	25.7
Started a Business	21.4	19.2	12.8
Built Own Residence Property	14.9	13.7	3.9
Bought Household/Consumption goods	13.5	8.7	25.1
Bought Land	9.3	11.4	8.9
Built Rental Property	7.0	5.5	0.0
Paid Debts	4.7	5.0	7.3
Invested in Capital Markets	2.8	5.9	7.8
Boosted Existing Business	2.3	2.3	4.5
Paid Medical Expenses	1.4	3.2	1.1
Other	0.0	3.2	1.1

If Started business, how has business performed?

Running Profitably:	31.0%
Running but not profitably:	48.3%
Collapsed:	20.7%

18: Mode of payment of pension

(respondent may have multiple modes)

	Cheque	Cash	Direct Credit	Other
	9.3%	1.2%	89.5%	0.0%

19 Does respondent feel it was worthwhile to save for retirement?

	2004	2003
Yes:	87.3%	95.3%
No:	12.7%	4.7%

	Yes	No
Retired 1998 or earlier	83.9%	16.1%
Retired 1999 – 2001	93.5%	6.5%
Retired 2002 – 2003	89.5%	10.5%

Why was it worthwhile?

(respondents have multiple answers)

Why worthwhile	% of responses 2004	% of responses 2003
Income for General Upkeep	32.4	27.1
Guaranteed Monthly Income	21.8	14.7
Capital	19.7	13.0
Educate children	10.6	12.4
Financial Security	8.5	17.5
Investment	6.3	13.6
Access to Loans	0.7	0.6
Other	0.0	1.1

Why was it not worthwhile?

(respondents have multiple answers)

Why not worthwhile	% of responses 2004	% of responses 2003
Inadequate Income in retirement	100.0%	80.0%
Absence of increments in pensions	0.0%	20.0%

20. Problems and difficulties encountered in obtaining benefits

(respondents have multiple answers)

Problem Encountered	Retired 1998 or earlier	Retired 1999 - 2001	Retired 2002 - 2003
No Problems	49.2%	43.6%	44.0%
Delays in Receiving Benefits	20.9%	30.8%	32.0%
Expenses Incurred in Following up Benefits	10.4%	12.8%	12.0%
Uncooperative or Corrupt Trustees	9.0%	7.7%	4.0%
Poor Communication	3.0%	2.6%	8.0%
Difficulties in Obtaining Spouse Benefits upon Death of Member	3.0%	0.0%	0.0%
Others	4.5%	2.6%	0.0%

21. Role played in retirement benefits scheme
(respondent may have played multiple roles)

	Attended AGM	Scheme Official	No role at all	Other
Retired 1998 or earlier	19.7%	3.8%	71.2%	5.8%
Retired 1999 – 2001	10.7%	3.6%	75.0%	10.7%
Retired 2002 – 2003	12.5%	0.0%	87.5%	0.0%

22. Did respondent's scheme have member nominated trustees?

	Yes	No	Don't Know
Retired 1998 or earlier	31.4%	27.4%	41.2%
Retired 1999 – 2001	26.7%	33.3%	40.0%
Retired 2002 – 2003	76.9%	10.5%	10.5%

23. Does respondent's scheme provide to the member the following?

Summary of accounts report

	Yes	No
Retired 1998 or earlier	25.0%	75.0%
Retired 1999 – 2001	22.6%	77.4%
Retired 2002 – 2003	31.6%	68.4%

Detailed accounts report

	Yes	No
Retired 1998 or earlier	17.8%	82.25
Retired 1999 – 2001	6.5%	93.5%
Retired 2002 – 2003	21.0%	79.0%

Annual benefits statements

	Yes	No
Retired 1998 or earlier	28.6%	71.45
Retired 1999 – 2001	32.35	67.7%
Retired 2002 – 2003	42.1%	57.9%

Actuarial valuation report

	Yes	No
Retired 1998 or earlier	3.6%	96.4%
Retired 1999 – 2001	6.5%	93.1%
Retired 2002 – 2003	21.1%	78.9%

Investment portfolio report

	Yes	No
Retired 1998 or earlier	8.9%	91.1%
Retired 1999 – 2001	19.4%	80.6%
Retired 2002 – 2003	26.3%	7.37%

Membership certificate

	Yes	No
Retired 1998 or earlier	14.3%	85.7%
Retired 1999 – 2001	22.6%	77.4%
Retired 2002 – 2003	31.6%	68.4%

Scheme newsletter

	Yes	No
Retired 1998 or earlier	16.1%	83.9%
Retired 1999 – 2001	12.9%	87.1%
Retired 2002 – 2003	15.8%	84.2%

None of the above

	Yes	No
Retired 1998 or earlier	37.5%	62.5%
Retired 1999 – 2001	38.7%	61.3%
Retired 2002 – 2003	10.5%	89.5%

SECTION C: FUTURE PROSPECTS FOR INDUSTRY

24. What are challenges faced by respondents scheme? (respondents have multiple answers)

A.

Challenge	Percent of Responses		
	Retired 1998 or earlier	Retired 1999 – 2001	Retired 2002 – 2003
Poor Governance	15.0	28.6	5.9
Poor Record Keeping	10.0	42.9	35.3
Mismanagement of Funds	40.0	7.1	23.5
Rules on Death Benefits	25.0	14.3	29.4
Other	10.0	7.1	5.9

B.

Challenge	Percent of Responses		
	Retired 1998 or earlier	Retired 1999 – 2001	Retired 2002 – 2003
Lack of communication from Schemes (4)	28.6	50.0	37.5
Lack of representation of Pensioners (2)	0.0	50.0	0.0
Delays in paying Benefits (3)	28.6	0.0	37.5
Pensioners not Informed on Investment (5)	21.4	0.0	12.5
Centralization of scheme offices (6)	7.1	0.0	0.0
Other	14.3	0.0	12.5

25. What did respondent like in his or her scheme?
(respondents have multiple answers)

What respondent liked	Percent of Responses		
	Retired 1998 or earlier	Retired 1999 – 2001	Retired 2002 – 2003
Prompt Payment	58.3	42.9	52.2
Annual increase of Pension Pay	11.1	10.7	8.7
Cooperative and efficient Trustees	6.9	7.1	8.7
Pensioners have a say in the scheme	4.2	0.0	0.0
Financial Security of Scheme	1.4	7.1	4.3
Inheritance of Spouse Benefits upon death	1.4	3.6	0.0
Other	16.7	28.6	26.1

26. What did respondent dislike in his or her scheme?
(respondents have multiple answers)

What respondent disliked	Percent of Responses		
	Retired 1998 or earlier	Retired 1999 – 2001	Retired 2002 – 2003
Inadequate Income	16.9	24.4	8.7
Lack of Information for Pensioners	15.5	22.0	17.4
Members not involved in running Scheme	11.3	4.9	4.3
Delays and irregularities in releasing Benefits	9.9	7.3	17.4
Inflation not catered for	8.5	9.8	13.0
Insufficient Interest paid	7.0	4.9	13.0
Lack of Medical for pensioners	5.6	2.4	0.0
Lack of Advice on Investment	2.8	4.9	4.3
Taxation/Bank Charges	0.0	0.0	4.3
Centralized Scheme Offices	0.0	2.4	0.0
Other	22.5	17.1	17.4

27. Proposed changes in retirement benefits industry
(respondents have multiple answers)

Proposed change	Percent of responses 2004 survey	Percent of responses 2003 survey
Pensions schemes should provide insurance/loans/sacco facilities for pensioners	17.6	10.6
Increase pensions to match inflation	14.9	13.4
Members should be allowed to choose type of scheme and contribution amounts	9.9	7.3
Inform more Kenyans on the retirement benefits industry	9.0	6.5
Pensions should continue being paid after main member's death	8.1	1.2
Enhance communication flow from scheme	7.2	8.5
Involve Pensioners in running of schemes	6.3	4.9
Pay benefits on time	4.1	8.5
Advise Pensioners on how to invest their benefits	3.6	9.8
Make saving for retirement compulsory	3.6	3.7
Educate or Employ dependants	3.2	2.4
Disclose expected benefits to members	2.7	3.7
Convert Pension Funds to Provident Funds	1.8	1.2
Decentralize scheme offices	1.4	3.7
Convert Provident funds to Pension Schemes	0.5	3.7
Other	6.3	11.0

28. Had respondent heard of RBA before this exercise?

	2004	2003	2002
Yes:	48.2%	48.6%	41.3%
No:	51.8%	51.4 %	58.7%

	Yes	No
Retired 1998 or earlier	50.0%	50.0%
Retired 1999 – 2001	38.7%	61.3%
Retired 2002 – 2003	68.4%	31.6%

How respondent heard of RBA

How heard	2004 Percent of respondents	2003 Percent of respondents	2002 percent of respondents
Newspaper	30.0	35.5	31.3
TV	9.1	27.1	12.5
Radio	9.1	22.4	16.3
Colleague	6.4	2.8	3.8
Other (<i>AGM or Employer</i>)	5.5	3.7	0.0
Friend	3.6	5.6	7.5
Trustees	3.6	2.8	1.3
Seminar	0.9	0.9	1.3

REGRESSION ANALYSIS

Regression analysis was carried out to establish the relationship between benefits (pension and lump sum) to changing jobs during career and the options taken at time at changing jobs, that is, to either withdraw the benefits as cash, to transfer the benefits to another scheme or to defer the benefits. Results with statistically significant variables are reproduced below:

Dependent Variables

Pension – amount of pension income being earned by respondent

Lump sum - amount of Lump sum benefit that was earned by the respondent

Independent variables

Salary – amount of salary earned before retirement; taken as mid point of the salary band indicated by respondent.

Change – Dummy variable for whether respondent changed jobs during career.

Withdrew - Dummy variable for whether respondent withdrew benefits at point of changing jobs during career.

Deferred - Dummy variable for whether respondent differed benefits until retirement age at point of changing jobs during career.

EQ1: SUMMARY OUTPUT

Dependent variable; Pension

<i>Regression Statistics</i>	
Multiple R	0.479172132
R Square	0.229605932
Adjusted R Square	0.208784471
Standard Error	18494.03731
Observations	77

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	7543368995	3771684497	11.02736876	6.43248E-05
Residual	74	25310176782	342029416		
Total	76	32853545777			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	7848.924627	2869.699465	2.735103353	0.007800289	2130.922952
salary	0.209356485	0.044818129	4.671245514	1.30959E-05	0.120054402
Withdrew	-3586.42852	6907.484806	-0.51920903	0.605164427	-17349.8941

EQ2: SUMMARY OUTPUT

Dependent variable; Pension

<i>Regression Statistics</i>	
Multiple R	0.503286249
R Square	0.253297048
Adjusted R Square	0.233115887
Standard Error	18207.45304
Observations	77

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	8321706160	4160853080	12.55116342	2.02521E-05
Residual	74	24531839617	331511346.2		
Total	76	32853545777			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	7015.813011	2754.069016	2.547435438	0.012928247	1528.210061
Salary	0.203968732	0.04423944	4.61056312	1.64376E-05	0.115819712
Deferred	17422.65157	10751.49582	1.620486291	0.109381754	-4000.174

EQ 3: SUMMARY OUTPUT

Dependent variable; Lump sum

<i>Regression Statistics</i>	
Multiple R	0.371358513
R Square	0.137907145
Adjusted R Square	0.118314126
Standard Error	1131832.192
Observations	91

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	1.80335E+13	9.01674E+12	7.038585632	0.001460085
Residual	88	1.12732E+14	1.28104E+12		
Total	90	1.30765E+14			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	604651.8621	182681.7302	3.309864985	0.001354193	241610.0312
salary	8.50699701	2.670234201	3.185861752	0.001997417	3.200463552
Change	-524781.883	241058.5809	-2.17698902	0.032158458	-1003835.53

EQ 4: SUMMARY OUTPUT

Dependent variable; Lump sum

<i>Regression Statistics</i>	
Multiple R	0.326298268
R Square	0.10647056
Adjusted R Square	0.086163072
Standard Error	1152283.79
Observations	91

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	1.39227E+13	6.96133E+12	5.242921405	0.007059763
Residual	88	1.16843E+14	1.32776E+12		
Total	90	1.30765E+14			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	424239.923	160608.5866	2.641452316	0.009768291	105063.8604
salary	8.70266903	2.751886391	3.162437614	0.002147225	3.233868877
Withdrew	-525731.07	432662.6792	-1.21510612	0.227575757	-1385557.89

CONCLUSIONS

1. To establish the relative importance and contribution of retirement benefits to the income stream of retirees

- For 72.4% of those earning pensions, the pension income was the most important source of income for the retiree. For another 13.7% pension income was the second most important source of income.
- The range of pensions received by retirees is shs 193.00 to shs 100,000.00 with an average of shs 16,722.66.
- The range of lump sums received at retirement was shs 19,000.00 to shs 9,000,000.00 with an average of shs 749,772.50.
- 95.5% of retirees received some sort of lump sum benefit
- These benefits were based on average of 21 years of saving for retirement.
- The next most important source of income was farming, followed by business, rent and new jobs. Only 4.3% of retirees were receiving regular investment income from financial market instruments.
- Respondents were caring for an average of 4.5 dependents despite having retired.
- Only 34.5% of retirees felt that the amount that they and their employers had been contributing to their retirement was adequate.
- 40.9% of retirees changed jobs during working life but only 24.4 percent of these transferred their benefits to the scheme of the new employer and only 7.1% deferred their benefits in the original scheme.
- Regression analysis reveals an income replacement ratio of only 20 percent from pensions. This is despite the long average period of saving for retirement of 21 years.

- Regression analysis confirms that changing jobs and opting to withdraw lump sum benefits has negative impact on eventual pension level. However, those who opt to defer their benefits on average receive shs 17,422.00 higher pension after controlling for income.
- Regression analysis suggests that, after controlling for income level, those who withdrew benefits when they changed jobs receive shs 525,000.00 lower lump sum than those who remain in one job.
- Biggest problem with regard to benefits is delays in obtaining payments despite 89.5% of pensioners being paid through bank accounts. This suggests problem is with administrators/trustees.

2. To establish how retirees applied their lump-sum benefits.

- The range of lump sums received at retirement was shs 19,000.00 to shs 9,000,000.00 with an average of shs 749,772.50.
- 95.5% of retirees received some sort of lump sum benefit.
- Use of lump sums was biased towards consumption including school fees, residential property, household goods and paying debts. 21.4% of responses invested in business and only 2.8 percent of responses invested in capital market assets.
- For those who invested in business 31.0 percent felt that the business was still operating profitably, 48.3% felt their business was running but not profitably and 20.7% had business that had collapsed.

3. To establish the difficulties and challenges faced by retirees and pensioners in securing their retirement benefits

- 60.2% of respondents knew the amount of benefits that was due to them at retirement as compared to only 39.2% of respondents during the 2003 survey hence indicating a major improvement.
- Main problem encountered was delays in receiving benefits which often resulted in high expenses in following up the benefits.
- Most common complaints were inadequate income from benefits and lack of information from schemes.
- 51.8% of retirees had never had of RBA and therefore did not know that they could obtain assistance from RBA in obtaining their benefits.

4. To assess the impact of the Retirement Benefits Act on retirees and pensioners by comparing status of those who retired before commencement of the Act to those who retired after.

The sample was divided into three categories:

- i. Those who retired in 1998 or earlier which is categorised as the period before the Retirement Benefits Act and are referred to as the “*pre-Act group*”
- ii. Those who retires between 1999 – 2001 which was after enactment of the Act but before its full commencement and before the gazettelement of the Retirement Benefits Regulations. Even though the Act was not fully operational, having the legislation in place may have impacted these retirees and they are referred to as the “*intermediate group*”.
- iii. Those who retired in 2002 or 2003 when the Act was in full effect and are referred to as the “*post-Act group*”.

- Even though the *post-Act group* had saved longer for retirement than the other groups their average pension income was lowest at shs 10,847.73 compared to shs 18,928.13 for the *pre-Act group* and shs 16,645.16 for the *intermediate group*
- Low pension income for the *post-Act group* could be attributed to changing jobs as 52.6% of the group had changed jobs compared to 38.7% of the *intermediate group* and 41.1% of the *pre-Act group*.
- Average lump sum benefits were shs 583,959.00 for *pre-Act group*, shs 860,518.00 for *intermediate group* and shs 798,129.00 for the *post-Act group*.
- A higher proportion of the *post-Act group* felt their contribution to saving for retirement was not adequate.
- The *intermediate group* had the highest number of respondents who felt it was worthwhile to save for retirement followed by the *post-Act* and *pre-Act* groups.
- 78.9% of the *post-Act group* knew the amount of benefits they were entitled to at retirement compared to 57.1% and 61.3% of the *pre-Act* and *intermediate* groups respectively.
- A significantly higher proportion of the *post-Act group* had received annual benefits statements, annual accounts, actuarial valuations, investment reports, membership certificates and other forms of information from their schemes compared to the other groups.
- An extremely significantly higher proportion of *post-Act group* had member nominated trustees in their schemes compared to the other groups.
- A significantly higher proportion of the *post-Act group* had heard of RBA compared to the other groups.
- A slightly higher proportion of the *post-Act group* had faced delays in receiving their benefits compared to the other two groups.

- The problem of uncooperative or corrupt trustees was less frequent in the *post-Act group* compared to the other groups.
- *Post-Act group* are more concerned about administration issues such as record keeping and delays than about governance and mismanagement issues compared to *pre-Act group*.

POLICY IMPLICATIONS

1. The average pension income replacement ratio is only 20 percent which is well below the recommended target of 66 percent for one to maintain their standards of living. A primary cause of low pension income is the predominance of withdrawals of benefits at time of changing jobs as opposed to transfers or deferrals. Measures need to be put in place to ensure preservation of retirement benefits upto retirement age.
2. Annuitization and other financial market investment of lump sum benefits remain insignificant. Need for education as well as development of new capital market products through which retirees can invest lump sums.
3. Administration of schemes remains a problem. Members are still facing long delays in obtaining their benefit. Need for registration and stricter regulation of administrators.
4. There is a much greater level of member awareness since the enactment of the Retirement Benefits Act. Members are more involved in scheme matters and are receiving a lot more information from the schemes. Problems arising from governance and corruption have declined markedly. Need to bring any

remaining non-compliant schemes into full compliance so that all members can benefit.