

**RETIREMENT BENEFITS AUTHORITY**  
**RESEARCH & POLICY ANALYSIS DEPARTMENT**

**MEMBERS' SURVEY 2005**  
**FINAL REPORT**

**June, 2006**

## **TABLE OF CONTENTS**

INTRODUCTION .....	1
BACKGROUND .....	1
OBJECTIVES .....	4
METHODOLOGY .....	5
SAMPLING ISSUES .....	6
SUMMARY OF FINDINGS .....	7
CONCLUSIONS .....	29
POLICY IMPLICATIONS .....	35

## 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 first member survey in late 2005 early 2006.

Members of retirement benefits schemes constitute the most important group in the matrix of retirement benefits industry players. The object of any sponsor starting a scheme is driven by existing membership. No scheme can exist without members and members are the ultimate beneficiaries of the scheme accomplishments. It is, therefore, important that members are reached and consulted and their views and opinions considered. The Retirement Benefits Authority has adopted an open door policy, an approach which allows for interaction with key stakeholders with the aim of presenting their views for policy formulation and consideration in matters of retirement benefits.

This members' survey, being the very first in Kenya, aims first and foremost at gathering information on the interests of members of retirement benefits schemes and formally extending the RBA open door practices to the members.

## BACKGROUND

The Retirement Benefits Act was enacted in 1997 as part of the ongoing reform process in the financial sector in order to bring the retirement benefits industry under a harmonised legislation and to address the many problems that had hitherto faced the industry. The new law has a dual objective: **first**, to protect the interests of members and sponsors of retirement schemes so as to ensure that members receive a reasonable retirement income and that the sponsor's investment in its human resource is safeguarded; **second**, to spur Kenya's economic growth

through enhancing the mobilisation of domestic savings and capital formation as well as deepening the money and capital markets. The Retirement Benefits Authority is mandated to oversee the enforcement of this law.

### **Objectives of the Authority**

The following are the broad objectives behind the establishment of the Retirement Benefits Authority:

- Regulate and supervise the establishment and management of retirement benefits schemes;
- Protect the interests of members and sponsors of retirement benefits schemes;
- Promote the development of the retirement benefits sector;
- Advise the Minister for Finance on the national policy to be followed with regard to the retirement benefits sector; and,
- Implement all government policies relating thereto.

In order to carry out its various functions effectively, the Act establishes the Authority as an autonomous body corporate which is run by an independent Board of Directors whose composition is skewed towards private sector representation. While the Board is mandated to manage the operations of the Authority, it consults on a continuous basis with the Minister for Finance on policy matters relating to the development and regulation of the industry.

The Act makes specific provisions with regard to the use of scheme funds. Each scheme, unless it is founded under a written law, is

required to be established under an irrevocable trust and to have a scheme fund separately maintained from any other funds under the control of the trustees or fund manager. This provision is intended to protect the interests of the members of a scheme by way of limiting access to the scheme funds by the employer or any other party. Essentially, this provision protects the members of a scheme from the double jeopardy that would occur were an employer's business to collapse and thereby expose the employees to loss of jobs as well as their retirement benefits which may sink with the business. The provision of separation of scheme funds also reinforces the very essence of the trust, that is, that the scheme fund being trust property should be maintained entirely separate from any other legal entity.

With a view to maintaining professionalism, good governance and accountability in the operations of schemes, the Act further mandates for distinct separation of roles of the different players in retirement benefits business. In this regard, the Act mandates a clear distinction between:

- the **trustees** of a schemes who will be the ultimate guardians and legal owners of the scheme fund and will be directly accountable to members to ensure that their benefits are safeguarded;
- the **manager** who will be responsible for providing investment advice as well as investing the scheme funds in such a manner as to balance the need for optimising returns, reducing inherent risks and maintaining sufficient liquidity for the scheme to meet its obligations;
- the **custodian** who will be charged with the safe custody of the scheme assets and title documents. For all intents and purposes, the custodian will act as the banker to the scheme; and,

- the **administrator** who the trustees **may** hire or employ to keep and maintain records of individual members and further assist in the administrative affairs of the scheme.

The Act also bars the loaning of scheme funds to any person and has also prohibited the use of scheme funds as collateral for borrowing by any person. It further calls for the prudent investment of the scheme fund and such investments are subject to the investment guidelines contained in the Retirement Benefits Regulations, 2000.

In 2005 the Minister for Finance amended the Retirement Benefits Regulations to allow for preservation of benefits upto retirement age. Through Legal Notices numbers 56 and 57 of June 8, 2005, the Minister amended the regulations so that scheme members would not be able to access the benefit arising from the employer's contribution until attaining retirement age. The purpose of this provision is to ensure that retirement benefits are utilised for the intended purpose, that is, for life in retirement and thus to alleviate old age poverty. An important aspect of this survey is to obtain members' views and understanding of this amendment.

## **OBJECTIVES**

The specific objectives of the members survey 2005 are:

- 1) Gathering information on the membership profile of scheme members such as age, job changing, contributions vis a vis salary and membership spread in the country.
- 2) Finding the level of knowledge and information of retirement benefits schemes by members including members' knowledge on their rights, rules governing their schemes and member participation in their schemes.

- 3) Obtaining members views on provisions with regard to access to benefits before retirement age.
- 4) Collecting members' suggestions, opinions and views on matters relating to retirement benefits
- 5) Identifying areas of weaknesses in the Retirement Benefits Act and Regulations.
- 6) Using the results of the survey to make policy recommendations and develop the retirement benefits industry in furtherance with interest of members.

## **METHODOLOGY**

1. The population of schemes, both registered and unregistered, was established from the Authority's database and stood at 1334 schemes of which 1022 were externally administered and 312 self administered.
2. All the schemes were written to either directly or indirectly through their administrators and requested to provide lists of all their members including name, age, gender and physical location of each member.
3. From the returns from the schemes a population of approximately 48,000 members from 300 schemes was identified and entered into a Microsoft Access database.
4. A stratified random sample of 3,613 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.
5. Human Resource departments of the companies from which the sample had been drawn were contacted and advised on the names

- of members who had been sampled and requested to facilitate access to the members.
6. Trained research enumerators were sent to the sampled members to deliver the research questionnaire directly to the member and to collect the completed questionnaire after a predetermined period of time.
  7. By the cut-off date, 1774 questionnaires had been received by the Authority. One questionnaire was found to have been filled by multiple respondents and was removed from the sample leaving 1773 questionnaires for analysis.
  8. 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:

- Only 300 schemes out of 1334 were represented in the sample. This was as a result of poor response to requests for member lists. For example, one scheme administrator with 226 schemes under administration was unable to provide the list of members for their schemes for unspecified reasons while another scheme administrator with 134 schemes under administration declined to provide the list of members for their schemes citing unspecified legal reasons.
- The sample may be biased towards better administered schemes as those declining or unable to participate may systemically be less well administered schemes.
- Communication difficulties may have prevented members in very remote areas from receiving and/or returning the questionnaire hence biasing the sample towards Nairobi and other major towns.



## SUMMARY OF FINDINGS

### SECTION A: SAMPLE DATA

#### 1. Overall

Sample Size: 1773

#### 2. Sex

Male: 63.45%

Female: 36.55%

#### 3. Marital Status

	Married	Single	Widowed	Divorced
Male	89.28%	8.83%	1.62%	0.27%
Female	60.31%	33.28%	5.47%	0.94%

#### 4. Age

Age Group	Percent
19 -25	2.31
26 - 30	12.52
30 -35	29.16
36-40	6.37
40 -45	24.65
46- 50	14.61
51 -55	8.80
Over 55	1.30
No response	0.28

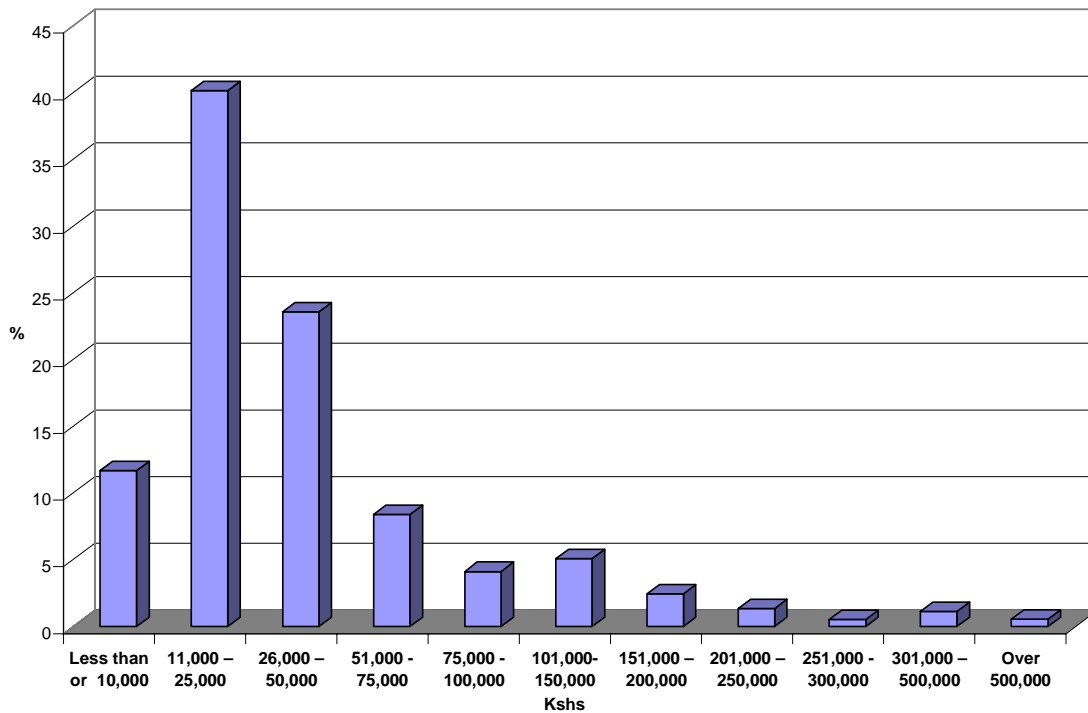
## 5. Location

Town	Percent
Nairobi	57.02
Eldoret	5.98
Mombasa	4.74
Kisumu	3.67
Nakuru	2.37
Thika	1.92
Njoro	1.52
Nyeri	1.30
Kitale	1.18
Juja	0.96
Magadi	0.96
Kakamega	0.90
Meru	0.90
Others (67 towns)	16.53

## 6. Salary Range

Salary Range in Kshs	Percent	Salary Range in Kshs	Percent
Less than or 10,000	11.68	151,000 – 200,000	2.43
11,000 – 25,000	40.16	201,000 – 250,000	1.35
26,000 – 50,000	23.58	251,000 - 300,000	0.51
51,000 - 75,000	8.40	301,000 – 500,000	1.13
75,000 – 100,000	4.12	Over 500,000	0.56
101,000- 150,000	5.08	No response	1.02

### Salary Distribution of Sample Members



### 7. Employment Terms

	Percent
Permanent	91.48
Contract	7.28
Casual	0.34
Self Employed	0.11
Probation	0.06
No response	0.73

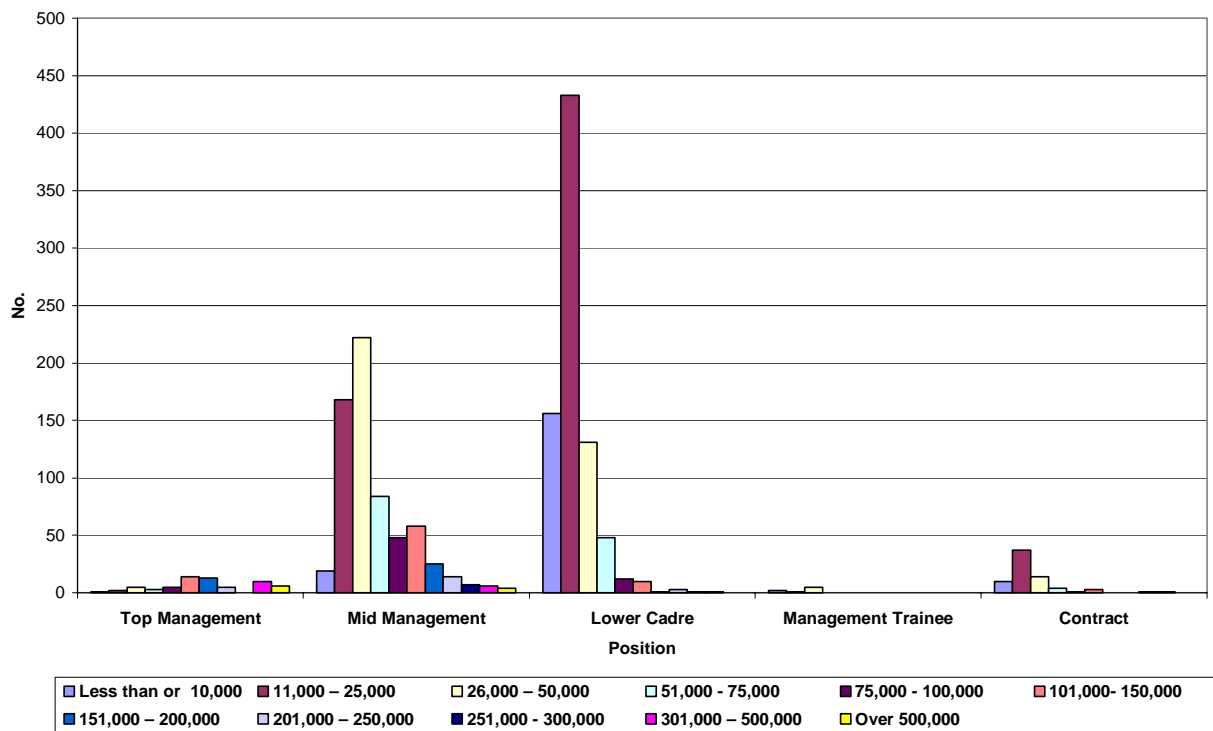
### Contract Period for Members on Contract

Period	Percent
One year	27.41
Two years	45.19
Three years	17.04
Four years	0.74
Five years	7.41
Open Ended	2.22

## 8. Employment Position

	Overall Percent	Males Percent	Females Percent
Top Management	3.61	4.80	1.54
Middle Level Management	37.51	35.56	40.90
Lower Cadre	45.23	47.64	41.05
Management Trainee	0.45	0.45	0.46
Staff on Contract	4.00	3.38	5.090
No response/other	9.19	8.10	10.96

### Employment Position by Salary Range



## 9. Number of Years of Membership in Scheme

Less than one year:	4.51%
One year to two years:	12.30%
Three years to five years:	20.59%
Six years to ten years:	20.47%
Eleven years to twenty years:	24.25%
Twenty one years to thirty years:	7.8%
More than thirty years:	0.79%
No response:	9.31%

## 10. Role Played in Scheme by Employment Position

<b>Position</b> <b>Role</b>	<b>Overall</b>	<b>Top Management</b>	<b>Middle Level Management</b>	<b>Lower Cadre</b>	<b>Management Trainee</b>	<b>Staff on Contract</b>
Is a member nominated trustee	5.53%	20.31%	6.90%	3.70%	0.00%	5.6%
Is a sponsor nominated Trustee	2.03%	20.31%	1.80%	1.37%	0.00%	0.00%
Is the scheme internal administrator	1.30%	9.37%	2.26%	0.24%	0.00%	0.00%
Attended scheme AGM	18.89%	21.55%	20.45%	16.71%	50.00%	25.35%
Attended member education seminar	17.20%	23.43%	17.29%	16.71%	50.00%	25.35%
Participated in elections of trustees	26.28%	26.56%	32.18%	23.69	12.5%	15.49%

## 11. Has Member Taken Time To Think About His/Her Life In Retirement?

	<b>Overall</b>	<b>Males</b>	<b>Females</b>
<b>Yes:</b>	<b>89.73</b>	<b>91.64</b>	<b>86.42</b>
<b>No:</b>	<b>10.27</b>	<b>8.36</b>	<b>13.58</b>

## Thought About Retirement - by Employment Position

	Percent who have thought about retirement
Top Management	90.63
Middle Level Management	92.18
Lower Cadre	88.28
Management Trainee	100.00
Staff on Contract	87.32
No response/other	87.12

### 12. Members Desired Retirement Age.

Desired Retirement Age*	Percent
40	1.52
45	6.66
50	19.91
55	44.73
60	17.82
65	3.27
70	3.95
75	0.11
No response	4.79

**\*Rounded up to nearest five where applicable**

### 13. Does Member Know Scheme Retirement Age? By Age Group

<b>Age Group</b>	<b>Knows scheme retirement age, Percent</b>
19 -25	65.85
26 – 30	68.47
30 -35	71.95
36-40	80.53
40 -45	76.89
46- 50	77.99
51 -55	75.00
Over 55	91.30
No response	60.00

### 14. Does Respondent Have Other Forms of Savings Other Than Retirement Benefits Savings?

**Yes: 51.89**

**No: 48.11**

<b>Age Group</b>	<b>Has other savings, Percent</b>
19 -25	51.22
26 – 30	58.10
30 -35	55.31
36-40	59.29
40 -45	51.71
46- 50	39.76
51 -55	48.71
Over 55	43.47
No response	40.00

## Type of Other Form of Savings

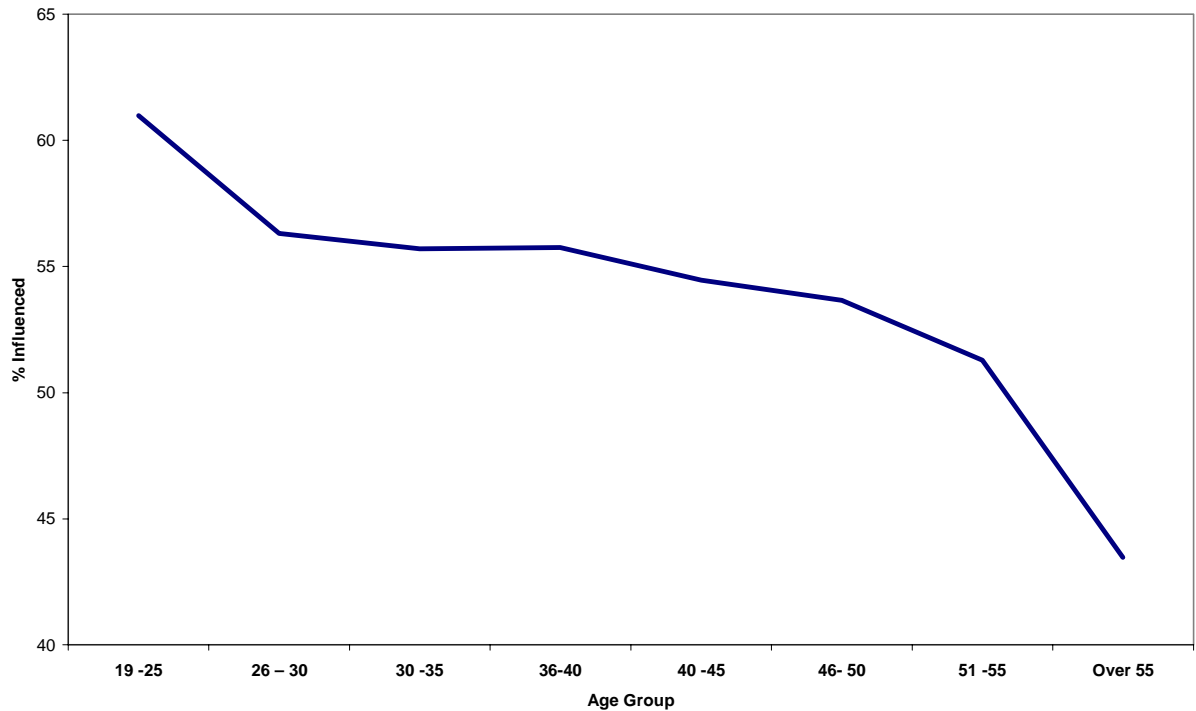
	Percent of sample	Average percentage of salary saved
Has other savings	51.89	-
Cooperative	38.24	7.70
Savings Account	10.49	10.82
Insurance Policies	5.41	6.51
Shares	2.88	8.97

### 15. Does Member Agree With Statement? Percent Agreeing.

Age Group	I am confident that I am doing enough now to financially prepare for retirement	I am confident that I will be able to maintain my current standard of living in retirement	One of the reasons why I continue to work is so that I can benefit from the company scheme	Existence of Retirement benefits schemes strongly influences my decision to join a company
19 -25	48.78	56.09	63.41	60.98
26 – 30	43.24	54.05	61.71	56.31
30 -35	35.97	43.13	55.13	55.71
36-40	36.28	38.94	56.64	55.75
40 -45	40.73	46.91	66.81	54.46
46- 50	42.08	45.56	65.63	53.67
51 -55	53.20	57.69	64.74	51.28
Over 55	60.87	65.22	52.17	43.47
No response	20.00	20.00	20.00	40.00



## Does Existence Of Retirement Benefits Schemes Strongly Influence Members Decision to Join a Company?



### SECTION B: ACCESS TO BENEFITS

#### 16. Has Member Changed Jobs?

Yes: 34.01%

No: 65.99%

#### Number of Times Changed Jobs (for those you have changed)

No of Times changed	Percent
Once	75.79
Twice	17.86
Three times	5.18
Four times	1.17

### **Type of Job Change (first change for those who have changed)**

<b>Type of change</b>	<b>Percent</b>
Public sector to Public sector	20.40
Public sector to Private sector	18.74
Private sector to Public sector	13.10
Private sector to Private sector	35.32
Private sector to NGO	4.31
Public sector to NGO	1.99
NGO to NGO	2.65
NGO to Private sector	2.32
NGO to Public sector	0.00
No response	1.16

### **Reason for Job Change (percent of responses all job changes for those who have changed )**

<b>Reason</b>	<b>Percent</b>
Job security/change to permanent employment	3.8
Promotion/ vertical growth	4.6
Better conditions and prospects	53.4
To obtain more exposure/experience	7.3
Family reasons	2.7
Existence of a retirement benefits scheme	4.2
Contract Expired	6.8
Retrenched or fired	7.2
Early retirement	0.7
Left the country	0.7
Company Wound up	2.4
Other	0.7
No response	5.6

### **Did Member Access Benefits on Changing Jobs**

Yes: 37.81%

No: 62.19%

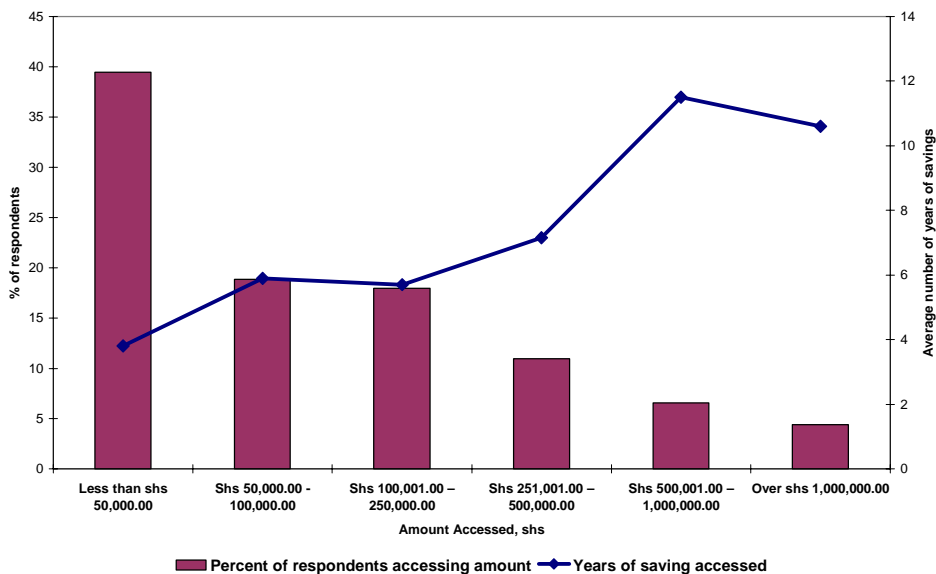
### Portion Accessed (those who changed jobs and accessed benefits)

Portion of Benefit Accessed	Percent
Both Employer and Employee	70.61
Employee portion only	16.23
Employer portion only	7.89
No response	5.26

### Amount Accessed in Last Job Change (those who changed jobs and accessed benefits)

Amount Accessed	Percent	Average number of years of saving accessed
Less than shs 50,000.00	39.47	3.8
Shs 50,000.00 - 100,000.00	18.86	5.9
Shs 100,001.00 - 250,000.00	17.98	5.7
Shs 251,001.00 - 500,000.00	10.96	7.16
Shs 500,001.00 - 1,000,000.00	6.58	11.5
Over shs 1,000,000.00	4.39	10.6
No response	1.75	-

### Amount Accessed in Job Change vs Years of Savings



### Reason For Not Accessing Benefits (those who changed jobs and did not access benefits)

Reason for not accessing	Percent
Does not know reason	27.6
No scheme in previous employer	26.9
Casual worker not member of scheme	20.4
Was below retirement age	17.6
Amount too little to bother following up	3.5
Other	2.1
Denied Benefits by employer	1.9

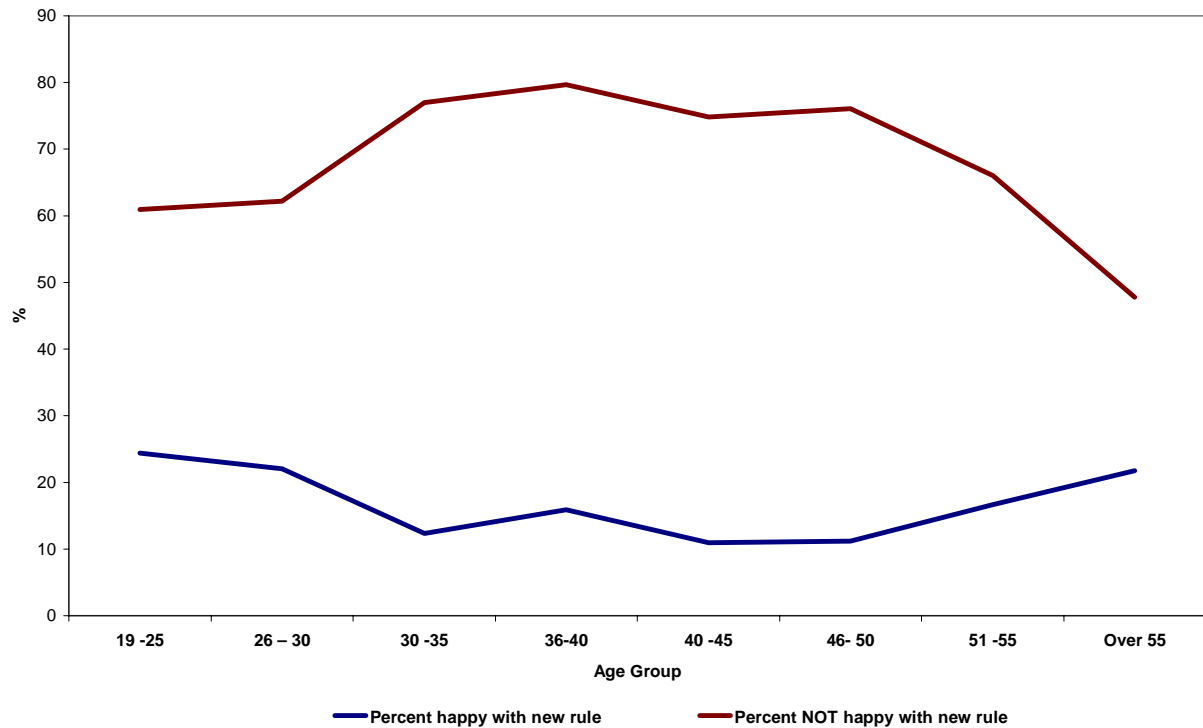
### 17 Member Comment on New Rule on Access to Benefits

Happy with change:	14.04%
Not happy with change:	72.93%
Have No comment:	9.36%
I don't know/don't understand:	3.33%
No response:	0.28%

### Members Happy and NOT Happy With New Rule on Access to Benefits by Age Group

Age Group	Percent happy with new rule	Percent NOT happy with new rule
19 -25	24.39	60.97
26 – 30	22.07	62.16
30 -35	12.37	76.98
36-40	15.92	79.64
40 -45	10.98	74.83
46- 50	11.19	76.06
51 -55	16.66	66.02
Over 55	21.74	47.82
No response	0.00	80.00

### Members Happy and NOT Happy With New Rule on Access to Benefits by Age Group



### Members Happy and NOT Happy With New Rule on aAccess to Benefits by Employment Position

	Percent happy with new rule	Percent NOT happy with new rule
Top Management	26.56	64.06
Middle Level Management	15.34	76.84
Lower Cadre	12.84	70.95
Management Trainee	12.50	87.5
Staff on Contract	12.67	70.4
No response/other	10.49	70.99

## Members Happy and NOT Happy With New Rule on Access to Benefits by Other Savings

	Percent happy with new rule	Percent NOT happy with new rule
Have other savings	14.03	76.06
Do not have other savings	14.06	69.63

## Reason Members Happy With New Rule on Access To Benefits (Members happy – member may have multiple responses)

Reason	Percent of responses
Guarantees Better Quality of Life after Retirement	42.86
No particular reason	53.06
Other	4.07

## Reason Members NOT Happy With New Rule on Access to Benefits (Members not happy – member may have multiple responses)

Reason	Percent of responses
Members should be allowed to access all benefits	26.8
Benefits can be used to start business/investment	13.8
No particular reason	12.5
Lower life expectancy reduces chances of receiving benefits	11.7
Lack of alternative income	11.1
Benefits can help settle obligations before retirement	10.5
Members should have been consulted	6.2
Benefits can help in case of illness	3.0
Does not consider retrenched and contract employees	1.5
May want to retire at an earlier age	1.0
Expensive/Tedious to follow up	0.9
People migrating should have access to benefits	0.6
Other	0.6

## SECTION C: KNOWLEDGE AND UNDERSTANDING OF OWN RETIREMENT BENEFITS SCHEME

### 18: Knowledge of Scheme Category

Stated category of scheme	Percent
Occupational	39.59
Individual	22.96
Don't Know	35.93
No response	1.52

### 19: Knowledge of Scheme Type

Stated type of scheme	Percent
Pension Scheme	69.94
Provident fund	17.32
Don't Know	11.96
No response	0.79

### 20: Knowledge of Scheme Design

Stated design of scheme	Percent
Defined Benefit	17.37
Defined contribution	32.83
Hybrid	5.47
Don't Know	42.87
No response	1.47

## 21: Knowledge of Scheme Affairs

Knowledge	Percent saying YES		Source of Knowledge	Percent
know your monthly contribution to your scheme	65.20		Employment Letter	18.78
			Pay slip	57.41
			Benefit statements	11.41
			Trust deed and rules	2.89
			Friends	0.38
			Trustees/administrators	6.46
			AGM	1.98
			Other	0.68
know your employer's monthly contribution to your scheme	54.26		Employment Letter	22.54
			Pay slip	28.71
			Benefit statements	27.10
			Trust deed and rules	3.94
			Friends	1.88
			Trustees/administrators	10.11
			AGM	3.67
			Other	2.06
know how much savings you have accumulated in retirement benefits schemes	39.48		Employment Letter	1.36
			Pay slip	22.89
			Benefit statements	67.30
			Trust deed and rules	1.09
			Friends	0.14
			Trustees/administrators	5.45
			AGM	0.95
			Other	0.82
know who the Trustees of your scheme are and what is the number of trustees	30.29		Employment Letter	1.69
			Pay slip	1.27
	<i>Avg No.</i>	<i>3.13</i>	Benefit statements	3.81
			Trust deed and rules	8.26
	<i>Max no.</i>	<i>14</i>	Friends	3.81
			Trustees/administrators	37.50
	<i>Min No.</i>	<i>0</i>	AGM	36.44
			Other	7.20

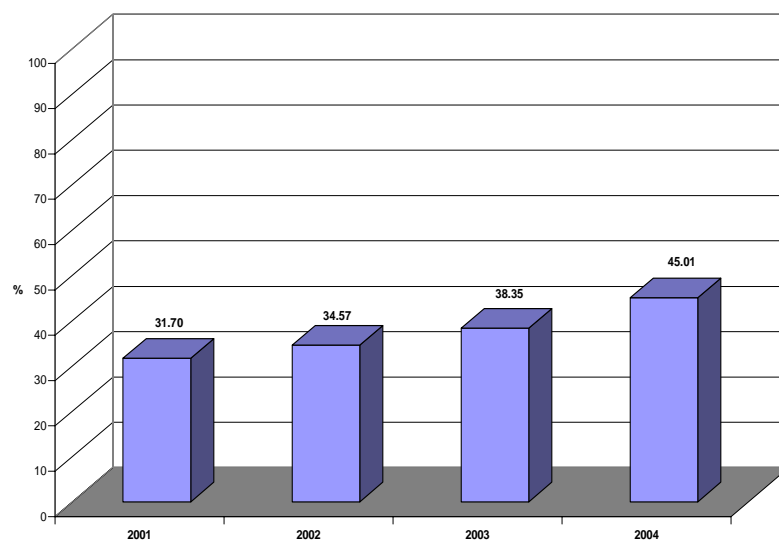


<b>Knowledge</b>	<b>Percent saying YES</b>	<b>Source of Knowledge</b>	<b>Percent</b>
Know if your scheme is registered with RBA	35.98	Employment Letter	4.49
		Pay slip	2.15
		Benefit statements	8.62
		Trust deed and rules	10.05
		Friends	5.03
		Trustees/administrators	43.81
		AGM	21.54
		Other	4.31

## 22. Does Respondent Receive Benefits Statements

Received statement	benefit	Percent Yes
2001		31.70
2002		34.57
2003		38.35
2004		45.01

### Respondent Receives Benefits Statements



## 23. Opinion on Scheme

Opinion on	Agree, %	Disagree, %	Neither, %	No response, %
The trustees have done a good job of communicating information about our scheme	48.39	35.76	14.89	0.96
I have reasonably good understanding of what the pension scheme offers me	47.38	38.01	13.65	0.96
I know where to get more information about our scheme, if I need to	54.43	32.66	11.96	0.96
I am confident that our pension scheme is well managed and financially secure	45.74	23.63	29.67	0.96

## SECTION D: AWARENESS OF MEMBER RIGHTS

### 24. Awareness and Ranking of Rights

Member Rights	Percent Aware of right	Average importance given to right by those aware*
Right to Membership statements	79.86	1.13
Right to nominate trustees	69.09	1.40
Vesting of Employer contribution	64.18	1.34
Right to membership as employee	78.34	1.33
Right to participate in the AGM	69.15	1.51
Right to inspect the books of accounts of the scheme	56.85	1.52
Right to inquire about the books of Accounts	59.05	1.51
Right to access scheme information through the RBA	61.31	1.48
Right to complain about your benefits or report your scheme trustees to RBA	64.81	1.35
Right not to have your benefits not held by trustees for any debt you may owe the employer or SACCO	59.95	1.32
Right to nominate beneficiaries	80.49	1.16

\*Very Important = 1; Important = 2; Not important= 3

### **Awareness of Right to Inspect the Books of Accounts of the Scheme by Age Group**

<b>Age Group</b>	<b>Percent Aware of right</b>	<b>Average importance given to right by those aware*</b>
19 -25	46.34	1.84
26 – 30	56.30	1.61
30 -35	55.31	1.44
36-40	60.17	1.46
40 -45	57.43	1.55
46- 50	61.77	1.51
51 -55	51.92	1.46
Over 55	78.26	1.72

\*Very Important = 1; Important = 2; Not important= 3

### **Awareness of Right to Inspect the Books of Accounts of the Scheme by Employment Position**

	<b>Percent Aware of right</b>	<b>Average importance given to right by those aware*</b>
Top Management	68.75	1.41
Middle Level Management	62.10	1.54
Lower Cadre	54.36	1.51
Management Trainee	62.50	1.00
Staff on Contract	42.25	1.47
No response/other	49.38	1.55

\*Very Important = 1; Important = 2; Not important= 3

## Awareness of Right to Membership Statements by Age group

Age Group	Percent Aware of right	Average importance given to right by those aware*
19 -25	78.04	1.25
26 – 30	82.43	1.14
30 -35	82.01	1.13
36-40	83.19	1.03
40 -45	81.23	1.12
46- 50	77.22	1.13
51 -55	69.87	1.14
Over 55	82.61	1.16

\*Very Important = 1; Important = 2; Not important= 3

## Awareness of Right to Membership Statements by Employment Position

	Percent Aware of right	Average importance given to right by those aware*
Top Management	79.69	1.15
Middle Level Management	84.36	1.11
Lower Cadre	76.93	1.15
Management Trainee	62.50	1.2
Staff on Contract	77.46	1.09
No response/other	79.62	1.12

\*Very Important = 1; Important = 2; Not important= 3

## SECTION E: OPINION AND VIEWS ON RETIREMENT BENEFITS INDUSTRY

### 25. General Comment on Retirement Benefits Act and Regulations (respondent may have multiple responses)

Comment	Percent of responses
Should allow access to benefits before retirement	22.29
Don't know about Act and Regulations	20.51
Act and Regulations are good	16.54
RBA should educate members on Act and Regulations	14.21
Payment of Benefits should be prompt	11.74
Scheme members should have more say	6.29
Act should be keenly adhered to so as to protect members	3.47
Rule against assignment protects employees	1.88
Reduce taxation	1.29
Other	1.78

### 26. Had Respondent Heard of RBA Before this Exercise?

Yes: 78.23%

No: 21.77%

#### Heard of RBA by Age Group

Age Group	Percent Heard of RBA
19 -25	70.73
26 – 30	80.63
30 -35	82.98
36-40	84.07
40 -45	77.80
46- 50	73.75
51 -55	66.02
Over 55	82.61

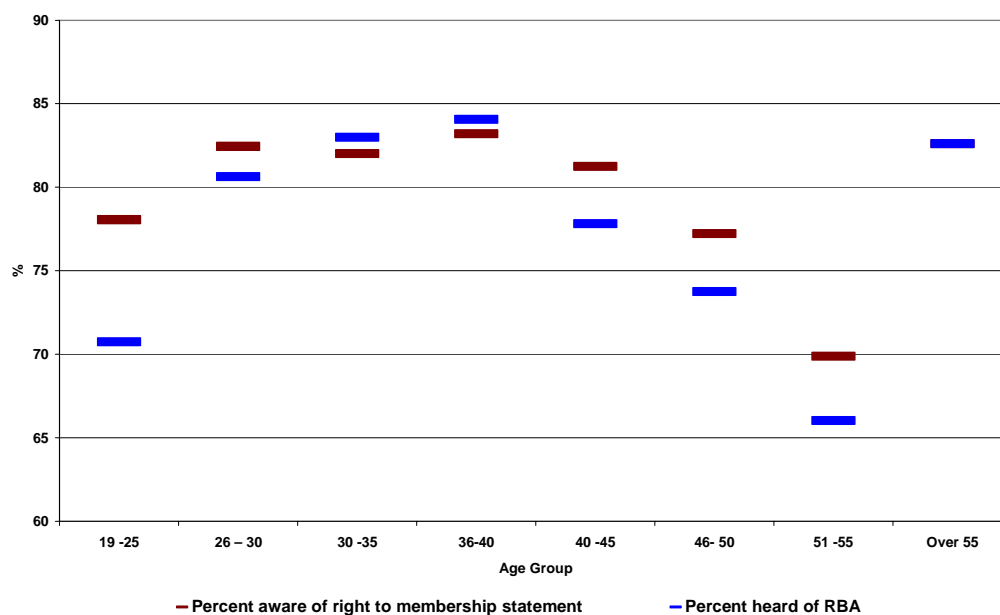
### Heard of RBA by Employment Position

	Percent Heard of RBA
Top Management	93.75
Middle Level Management	85.26
Lower Cadre	71.95
Management Trainee	87.5
Staff on Contract	76.06
No response/other	75.30

### How Respondent Heard of RBA

How heard	Percent of respondents
Friends	14.89
Newspaper	38.69
Television	38.24
Employer	45.74
Trustees	22.56
RBA Training Seminar	11.00
Radio	29.95
Other	0.62

### Respondent Heard of RBA vs Awareness of Right to Membership Statement by Age Group



## 27. General Suggestions on Retirement Benefits Schemes Administration and Management

Comment	Percent of responses
Enhance education of members by schemes/RBA	18.19
Give members access to all benefits when they lose job	12.23
Process members benefits quickly	9.15
Hold scheme AGMs regularly	8.77
Provide more information/communicate more with members	8.53
Send benefits statements regularly	8.53
Give members more say in scheme administration	7.17
Good management of schemes	6.70
Closely monitor scheme sponsors	6.27
Remove and prosecute corrupt officials	3.90
Give members dividends	3.70
Trustees should be transparent/declare their wealth	3.31
Benefits should be available as loan/mortgage security	1.83
Limit trustees age to less than 60 years	0.08
Other	1.64

## CONCLUSIONS

- 1) *Gathering information on the membership profile of scheme members such as age, job changing, contributions vis a vis salary and membership spread in the country.*

This objective was geared at identifying the general characteristics of the membership of schemes in this country. From the findings the following conclusions can be drawn:

- The representation of females in scheme membership is higher than in the overall labour force. The Economic Survey 2006 reports that females constitute 29.5 percent of the formal sector labour force yet they constitute 36.5 percent of the membership

of schemes. This suggests that schemes may be more prevalent in formal sector industries with higher female representation such as services as opposed to formal sector industries with low female representation such as manufacturing.

- Age profile of scheme members is concentrated in the 30 – 45 years age bracket.
- There is a disproportionate concentration of scheme membership in Nairobi with 57 percent of members being in Nairobi compared to only 25 percent of total wage employment being in Nairobi province as reported in Economic Survey 2006. However, this finding may have been affected by sampling bias arising from respondents in Nairobi having a higher questionnaire return rate..
- 51.84 percent of scheme members earn less than shs 50,000.00 per month while only 11.06 percent earn over shs 100,000.00.
- Only 7.28 percent of scheme members are on contract terms and almost 92 percent are on permanent terms. 89.64 percent of scheme members on contract have contract periods of three years or less.
- Majority of scheme members are lower cadre staff followed by middle-level management staff.
- 57.9 percent of members have been in the scheme for less than 10 years and 16.8 percent for less than 3 years.
- Most members have thought about their life in retirement irrespective of current employment position with 72.82 percent desiring to retire at age 55 or earlier. However, 34.18 percent of members below age 25 are not even aware of the retirement age of their scheme.
- Only 51.80 percent of members have other forms of savings other than the retirement benefits with the older members less likely to have other forms of savings. The most popular channels of alternative savings are cooperatives and savings



accounts with members on average saving 7.7 percent and 10.8 percent of their income respectively in these channels.

- Members are generally not confident that they are doing enough to prepare for retirement or maintain their standards of living after retirement with no discernible pattern across different age groups.
- Members between 40 and 55 years are more likely to continue to work so that they can benefit from the company retirement benefits scheme but younger workers are much more influenced by the existence of a retirement benefits scheme when deciding whether to join a company.
- 34.01 percent of members had changed jobs with 75.79 percent of these having changed jobs only once. There was no clear discernible trend in terms of direction of job change from public sector to private sector of NGO or vice versa.

***2) Finding the level of knowledge and information of retirement benefits schemes by members including members' knowledge on their rights, rules governing their schemes and member participation in their schemes.***

Members are a key line of defense in the enforcement of the Retirement Benefits Act through their role in whistle blowing, filing complaints, monitoring and agitating for better management of their schemes. Members, however, can only play this role if they are aware of their rights, are thinking about their life after retirement and are participating actively in scheme affairs. From the findings the following conclusions can be drawn with regard to member information, awareness and participation:

- Member participation rates in scheme affairs remain low. Only 18.80 percent of members attended their scheme AGM and only 17.20 percent have attended a member education seminar.

Top management staff are much more likely to serve as member or sponsor nominated trustees with lower cadre staff having very little possibility despite having the largest numbers. Lower cadre staff also lag behind their management counterparts in participation in the election of trustees.

- 35.93 percent of members have no idea as to whether their scheme is an occupational scheme or an individual scheme, 42.87 do not know if their scheme is defined benefit or defined contribution and 11.96 do not know whether it is a pension scheme or provident fund.
- Knowledge about scheme affairs is low with the exception being knowledge about contributions which is obtained from pay slips and employment letters. Members generally do not know their level of savings, who their trustees are or if their scheme is registered. 45.01 percent of members received their benefits statements in 2004 up from only 31.7 percent in 2001.
- Despite their low participation and knowledge a majority of members feel that the scheme is well managed and feel that they have a good understanding of what the scheme offers and where to get information.
- 79.86 percent of members are aware of their right to receive membership statements though only 45.01 percent actually receive them. There are no clear discernible differences in levels of awareness on membership statements across age groups or employment position. Only 56.85 percent of members are aware of the right to inspect the books of accounts of the scheme with lower cadre staff being significantly less aware of this right. 69.09 percent of members are aware of their right to nominate trustees though only 26.28 percent have participated in electing trustees.
- The right to membership statements and to nominate beneficiaries are considered the most important member rights by members.

- 78.23 percent of members have heard of RBA with management staff significantly more likely to be aware of RBA than lower cadre staff. The main sources of news on RBA are the Employer followed by newspapers and television. Knowledge about RBA correlates with awareness, for example, awareness of right to membership statements.

### ***3) Obtaining members' views on provisions with regard to access to benefits before retirement age.***

The introduction of the rule requiring preservation of benefits arising from employer contribution until retirement age generated a great deal of controversy and debate. It is important to obtain an understanding of members views and understanding with regard to this rule.

- 34.01 percent of members had changed jobs and only 37.81 percent of them were able to access retirement benefits when they changed. The main reason for not accessing was because they were not in any scheme in the previous employer. However, 17.6 percent were unable to access due to preservation requirements in the scheme rules that were in place even before the introduction of the statutory preservation rule.
- For those able to access benefits on changing jobs, the amount accessed was less than shs 100,000.00 for 58.33 percent of those accessing. However, those assessing after an average of 10 years of saving for retirement were able to access amounts over shs 500,000.00.
- Only 14.04 percent of members are happy with the rule on preservation with 72.93 percent not happy with the rule. The 30 – 40 years age group are the group that is most unhappy with the preservation rule while the 19 – 30 years age group

have the highest proportion of members happy with the new rule. Lower cadre staff and management trainees are the most unhappy with the new rule while top management staff have the highest proportion of people happy with the rule.

- The reason give for being happy with the new rule was that it guarantees a better quality of life after retirement.
- Main reasons given for being unhappy with new rule are that members should be allowed to access *all* their benefits, accessed benefits could be used to start business or invested, lower life expectancy reduced chances of ever receiving preserved benefits, there were no alternative sources of income and that access to benefits could allow settling of obligations prior to retirement.

#### ***4) Collecting members' suggestions, opinions and views on matters relating to retirement benefits***

The objective here was to obtain members' suggestions on how the administration and management of retirement benefits schemes could be improved. From members comments the following conclusions can be drawn:

- Members are urging for more education on matters of retirement benefits;
- Members generally want to access their benefits before retirement age; and,
- Members would like to see improved processing of benefits, benefits statements and more communication from the schemes.

### ***5) Identifying areas of weaknesses in the Retirement Benefits Act and Regulations.***

This objective aims at obtaining members' suggestion on changes to the legislation. Even though a good number of members expressed satisfaction with the law, many wanted the law changed to allow access to benefits before retirement and to ensure prompt payments of benefits. There were also requests for the Retirement Benefits Authority to educate members on the Act and regulations with a good number of members professing ignorance of the contents therein.

## **POLICY IMPLICATIONS**

- 1) The Form and Fees Regulations should be amended to require schemes to submit lists of all members on quarterly basis. This will enable compilation of complete members databases for future surveys and also provide information for compliance and legal complaints processes.
- 2) The Authority should expand its education campaigns to further encompass members. Whereas members' awareness about their rights is reasonably high, their knowledge about their schemes and the law is very low and their participation in scheme affairs wanting. There is need for more targeted education of members including lower cadre staff through participation in AGMS, member seminars and training of trustees as trainers.
- 3) The rule on preservation of benefits needs to be partially relaxed to allow those emigrating out of the country and those retrenched and unable to obtain alternative employment within a specified time to access all their benefits.

- 4) There is need for a specific education campaign with regard to preservation to explain the rationale of the rule, the purpose of retirement savings and to remove misconceptions surrounding the rule, for example, with regard to life expectancy.
- 5) Maximum time allowed for payment of benefits should be reduced from ninety days to thirty days.