

## ENHANCING THE VOICE OF MEMBERS OF RETIREMENT BENEFIT SCHEMES.

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### Key Message

Involvement of members of retirement benefit schemes in decision making is critical as they bear the operational, investment and longevity risks. This brief advocates for design of a pragmatic framework that foster member participation in decision making taking cognizance of technological advancement, volatility of financial markets, age discrepancies and constraints they face in decision making.

### Introduction

A member of a retirement benefits scheme is one who is entitled to or is receiving a benefit under a retirement benefits scheme (Section 2 of the RBA Act of 1997). This definition places members as the most important constituents for whom the retirement benefits schemes are formed and who should be involved in decision making. A 2018 study commissioned by the Retirement Benefits Authority analyzed the extent of involvement of members in decision making, the limitations to the involvement of members in decision making, strategies to enhance involvement of members in decision making and developed a structured framework for decision making for retirement benefit schemes.

### Context of the Problem.

Overall management of retirement benefit schemes is complemented by independent service providers who include administrators (responsible for record keeping and ensuring compliance with regulations), custodians (who keep custody of the assets), fund managers (who invest), actuaries (who evaluate the long-term risk possibilities and asset-liability structure of the scheme), legal advisers and auditors (Clark, 2004; RBA Act). Where members do not take independent decisions, service providers fill the vacuum thereby making decisions that are suboptimal to the members.

Previous member surveys by RBA in 2005 and 2009 have documented low rates of participation of members in decision making mechanisms of the retirement benefit schemes including attendance to the Annual General Meetings (18% in 2005; 37% in 2009) thus strengthening the case for a member decision making framework that will increase participation in a context where women, persons with disabilities and young people are often left out in the decision making processes of most organizations. Furthermore, the Kenyan Constitution encourages

public participation by providing for the right and opportunity to the citizenry to take part in making decisions that affect them. Prevalence of Defined Contribution Schemes that accounted for 89% of the retirement benefits schemes in Kenya by close of 2018 further necessitates the decision-making framework as they transfer residuary risks to the members.

### Approach.

RBA sought the views of members of retirement benefits schemes and service providers on the current status of involvement of members in decision making, identify gaps and consequently develop a decision-making framework.

Focus Group Discussions with service providers and a survey on a sample of 1155 members, 256 trustees drawn from 184 retirement benefit schemes spread in 21 County Governments was conducted in 2018. Data collected from different categories of stakeholders was related and contrasted to enhance the triangulation of the findings. A communicative validity of the results was then conducted.

## Results.

Findings disclose that only 31% of members are involved in decision making. More male respondents are included in the decision-making processes with no significant differences based on age and education.

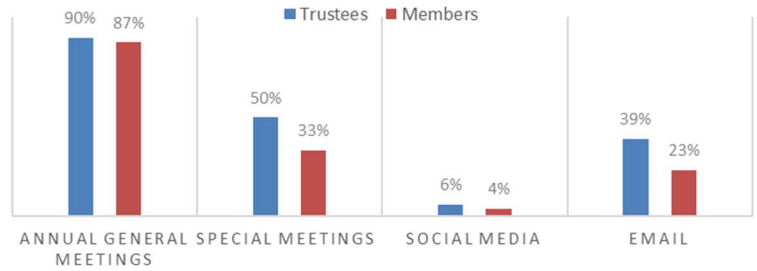
		Not aware of forums for decision making.			Total
		Large extent	Some extent	Very Little extent	
Female	Frequency	164	184	181	529
	Percent	31.0%	34.8%	34.2%	100.0%
Male	Frequency	157	214	255	626
	Percent	25.1%	34.2%	40.7%	100.0%
Total	Frequency	321	398	436	1155
	Percent	27.8%	34.5%	37.7%	100.0%

Pearson Chi-Square=6.876; df=2, p=0.032

\*The statistical significance of male Members involvement in decision making compared to female members.

However, the location of the respondent's matters as urban counties (Nairobi and Mombasa) recorded higher participation. Members are not to a large extent involved in making decisions related to the investment of scheme funds, determination of their training needs, age at which to retire or leave the scheme and the distribution of reserves.

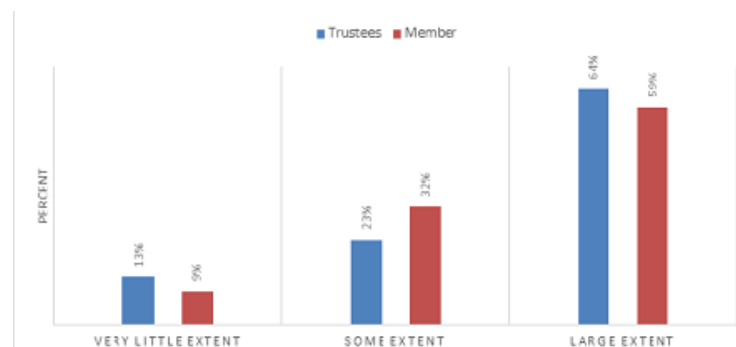
Meetings are the most used and effective forums for involving members in decision making. The use of technology and more specifically emails were reported to be effective.



\*Forums of Involvement of Members in Decision Making.

The key limitations to the involvement of members in decision making are lack of awareness on the existence of forums for involvement (significantly different based on gender), limited knowledge and understanding on retirement benefit schemes and age of the members (younger members are less concerned and involved).

To enhance member involvement in decision making, the measures to implement include; offer member education, enhance the use of technology (mobile apps and email) and enhance open forums (meetings).



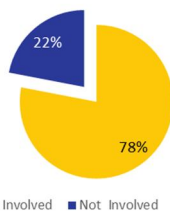
\*Use of Technology to Involve members in Decision Making.

## Members Involvement in Decision Making

**69%**

of the members are not involved in Decision Making.

Trustees Involvement in decision Making



AGM as the most effective forum for involvement of members in decision making (77.1% of the Trustees)

Members are severally not Involved in Making the Following Decisions.

- Investment of the Schemes fund.
- Determination of their Training Needs.
- Age at which to retire or leave the scheme.
- Distribution of reserves.
- Formulation of rules in the trust deeds.



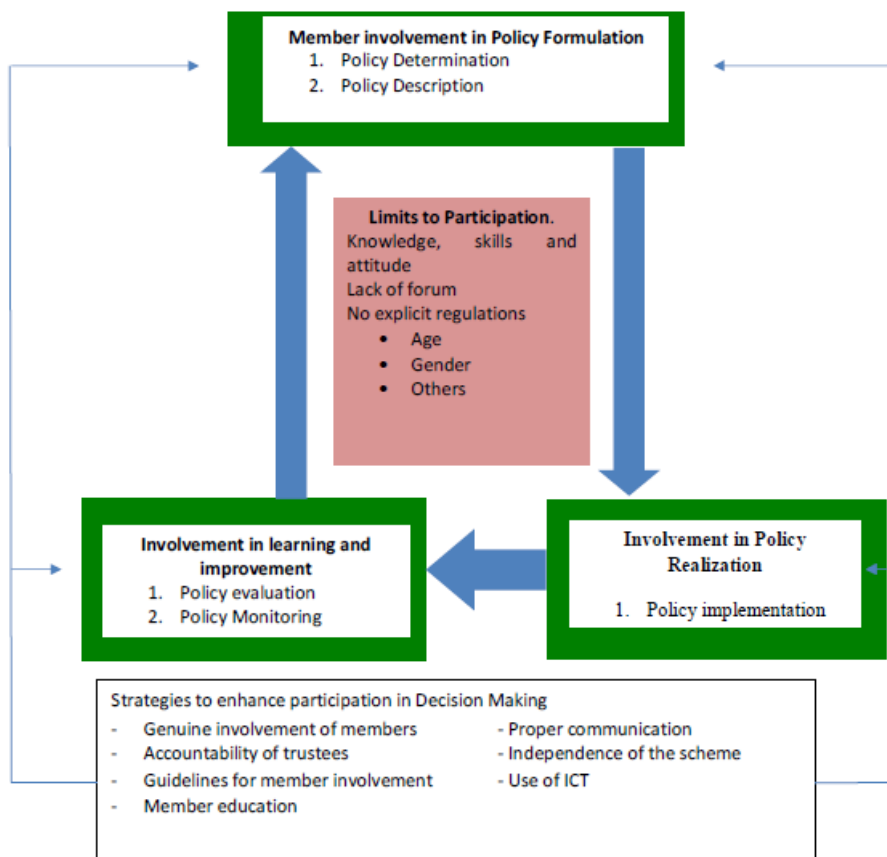
### Service Providers.

- Members selectively involved in decision making.
- Considers AGM, Special Meetings and Emails as the most effective forums.

## Limitations of Involvement of Members in Decision Making.

- Trust that trustees will make decisions to the best of the members' interests. (44% of members and 56% of trustees).
- Limited Knowledge and Understanding on Retirement Benefit Schemes.
- Lack of awareness of forums for decision making (49.4% of trustees).
- Failure to Consider Member Participation (65% of trustees).
- Size of the Scheme (74.3% of trustees).
- Automatic Enrollment into the Scheme (60% of members).
- Feeling that some members are young, and retirement is not a priority in their present lives.
- Delayed communication.
- Intimidation by senior trustees.
- Limited attention and dedication by members.
- Lack of a proper decision-making framework.

## Framework to enhance Member Involvement in Decision



## Policy options.



Member education (81% of the trustees).



Usage of technology (mobile apps and email) (60% of trustees).



Open forums (meetings) (64% of trustees).



Selection of Investment Options by Members (63% of members).

## Framework for Involvement of Members in Decision Making.

Pillar	Specific Action Required	How to Implement	Persons or Institutions Responsible.
<b>Regulation</b>	<ul style="list-style-type: none"> <li>- Mandate the involvement of members in making decisions on:</li> <li>- Investment of scheme funds,</li> <li>- Distribution of reserves,</li> <li>- Appointment of service providers</li> <li>- Changes in the trust deeds</li> </ul>	<ul style="list-style-type: none"> <li>- Require surveys or input from members when developing the investment policy statement.</li> <li>- Members to approve the investment policy statement in a general meeting.</li> <li>- Members to approve reserve distribution at the general meetings every year</li> <li>- Members to approve appointment of custodians, auditors and administrators at the general meetings.</li> <li>- Members to approve changes in the trust deed at the general meetings</li> </ul>	RBA in consultation with the stakeholders for implementation by the trustees.
<b>Communication campaigns</b>	These campaigns would be done to; have agreement of all stakeholders, create public awareness and trust, and improve individual knowledge and behavior.	<ul style="list-style-type: none"> <li>- Target the importance and growth of assets in the retirement benefit schemes, key audiences (trustees, service providers) and members audiences based on gender, age, education and county in which the respondents are situated.</li> <li>- Special campaigns could be done during certain periods for instance when there is a market downturn or a financial crisis.</li> <li>- Typical avenues to use would include the website, emails, general meetings, workplace events, print material, slogans, formal, mobile phones and social media.</li> </ul>	RBA, Association of Retirement Benefit Schemes.  These services could be contracted to social marketing professionals.
<b>Member Education</b>	<p>Simplified understanding of the key issues of retirement benefit schemes such as contributions, withdrawals, payment of benefits and investments amongst other things.</p> <p>Simplified reports to members (annual scheme reports and member statements)</p>	<ul style="list-style-type: none"> <li>- Use of booklets, website and picture stories, information booths during the general meetings or at a certain period in a specific scheme.</li> <li>- Allow use of technology in relaying important information to members – video conferencing, emails, videos</li> </ul>	RBA for general information  Service providers (more specifically fund managers and administrators)
<b>Member empowerment</b>	Simplified participation in decision making processes	Online and secret voting, mobile apps, use of delegate systems in big schemes, induction of new members,	Trustees
<b>Evaluation of Results</b>	Develop key performance indicators for each of the other pillars (regulation, campaign and education)	Use both quantitative and qualitative indicators based on a baseline.	RBA

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