



Safeguarding your retirement benefits

TRUSTEE SURVEY

JUNE 2007

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1 INTRODUCTION

Since its inception in 2000, the Retirement Benefits Authority has continued to conduct research and use it as a basis for developing Kenya's retirement benefits sector. This has enabled the Authority not only to keep abreast of global practice in the retirement benefits sector, but also to make policy recommendations that are dynamic and relevant to stakeholders in the sector.

The research conducted by the Authority is aimed at supporting the Authority's strategic objectives to:

1. Streamline the retirement benefits sector in Kenya by 30th June 2009;
2. Increase the level of coverage by 5% by 30th June 2009;
3. Increase compliance levels to 80% through improved supervision to protect members' benefits by 30th June 2009;
4. Increase benefits replacement rates from 20% to 30% by 30th June 2009; and,
5. Strengthen institutional capacity to continually deliver quality services to stakeholders.

Having collected views from pensioners and scheme members in the past, the Authority conducted its first Trustees' Survey in 2007. The policy recommendations from this survey are anticipated to support RBA's objectives of streamlining the sector and increasing compliance levels.

2 PROBLEM STATEMENT

Trustees continue to play a pivotal role in the development of Kenya's retirement benefits industry. The Retirement Benefits Occupational Regulations require that defined benefit (DB) and defined contribution (DC) schemes have no less than 3 and 4 trustees respectively, unless the scheme has appointed a corporate trustee. These trustees, though appointed voluntarily, become liable for failing to act in accordance with retirement benefits statutes. Ensuring that they are empowered to carry out their duties effectively and with integrity is therefore of primary importance.

Whereas the Authority continues to carry out aggressive educational campaigns that mainly target trustees, there is little information on their response to these initiatives. Evaluation forms distributed at the end of each monthly Trustee Training Seminar only require ratings of presentations and brief comments on the seminar.

The Trustees' Survey 2007 therefore sought to assess the information needs of trustees of individual and occupational retirement benefits schemes, and the impact of RBA's current educational initiatives on the running of the same.

The objectives of the survey were to:

1. Determine whether scheme trustees know what is required of them under the Retirement Benefits Act and Regulations;
2. Assess trustees' appreciation of information provided through RBA News, website, seminars and exhibitions;
3. Identify the proportion of scheme trustees who have been represented at Trustee Training Seminars;
4. Assess the impact of education on scheme management and compliance;
5. Examine trustees' appreciation of the current trustee training seminar topics; and,
6. Use trustees' experience to identify current information and industry needs.

3 LITERATURE REVIEW

Retirement benefits savings continue to command large proportions of the Gross Development Product (GDP) of countries all over the world. In 2005, retirement benefits assets in Kenya stood at 12.49% of the GDP, and as at 31st December 2006, retirement benefits scheme assets under management stood at KShs 224 billion. The value of these assets has grown from KShs 40 billion in 2001 as a result of a dynamic pension reform process in Kenya.

The reform process has been driven by two main factors: Firstly, the global acceptance that state-provided pension is inadequate and unsustainable in the long run. Secondly, the realisation that a well-managed retirement benefits

industry is imperative for enhanced mobilisation of domestic savings and faster economic growth and development.ⁱ

Pension fund professionals and trustees need continuing education to properly fulfil their fiduciary responsibilities. Whether a pension system has ten million or billion dollars in trusts, the challenges and responsibilities of the fiduciary to the trusts are daunting."ⁱⁱ In the UK, the Pensions Regulator's reports that better governance is associated with more training, having risk management processes in place and other factors.ⁱⁱⁱ

The provision of supervisory education has led to:

1. Increased pension scheme compliance with legislation;
2. Better managed schemes;
3. Improved interaction between regulators and stakeholders; and,
4. Better understanding by stakeholders of what is expected of them.

This notwithstanding, the paper also notes that the training of trustees is inadequate because, firstly, it is not compulsory, and, secondly, because it usually involves only one-off training.^{iv}

In Kenya, there is a need to educate trustees on a range of topics, particularly those pertaining to scheme investments.^v

This paper seeks to identify the education gaps in the current trustee education programmes conducted by the Authority, and to use the information collected to fill these gaps.

4 RESEARCH METHODOLOGY

1. The population of interest was identified as all existing retirement benefits schemes in Kenya, both registered and unregistered. This population consisted of 1284 schemes: 1269 occupational and 15 individual retirement benefits schemes.
2. Stratified random sampling was then conducted, where 50% of each population was selected.

3. Thereafter, the sample was cleaned to eliminate schemes that have begun the liquidation process.
4. Because trustees are expected to act with one accord, 1 trustee was randomly selected from each scheme as a member of the sample.
5. Trained research enumerators were sent to the members of the sample to deliver the research questionnaire and collect it after 7 days.
6. Trustees of schemes in remote areas were sent the questionnaires by post and requested to return the completed questionnaires by post.
7. Trustees who had not completed the questionnaire within the given time were also requested to send the questionnaire to the Authority.
8. By the cut-off date, 135 questionnaires had been received. 1 questionnaire was incomplete and was therefore eliminated from those used for analysis.
9. The completed questionnaires were coded and data was entered using Microsoft Excel. It was then analysed using Microsoft Access and Microsoft Excel.

4.1 Limitations to the Study

Trustees are required to act in accordance with Section 40 of the Trustee Act, which requires that trustees be appointed by deed. The illustrative format for submission of audited accounts also requires the submission of scheme details, including the names of trustees. For these reasons, the sample was selected using the most recent documents, as it was assumed that these would give a reliable sample.

A sample of 50% of the population had been picked, based on the assumption that there would be a response rate of at least 60%. This response rate would have given an acceptable analysis proportion of 30% of the population.

However, the following limitations arose during the course of the study:

- It was discovered that many of trustees who had been selected in the sample had ceased being trustees of the schemes as a result of withdrawal or retirement. In some instances, the trustees who had been selected in the sample were deceased.

- The survey did not allow for replacement of the selected trustee, as this would not give a true reflection of the accuracy of the records submitted by trustees. This would explain the extremely low response rate of 22%, which accounts for 10% of the population.
- In other instances, the sponsoring organisation had relocated from the addresses submitted to the Authority, thus it was difficult to trace the schemes due to lack of information on their current locations.
- The majority of questionnaires that respondents were requested to send by post were not returned to the Authority.
- The questionnaire did not require trustees to give the name of their scheme. For this reason, it is not possible to identify how many trustees responded from individual or occupational retirement benefits schemes; and,
- Question 29, which required trustees to give the number of active members in the scheme, was misinterpreted by the majority of trustees and was therefore not analysed.

As a result of some of the limitations listed above, the sample used for data analysis consists of 134 questionnaires, which account for approximately 10% of the population. This figure cannot be deemed to be representative of the population, and therefore inferential statistics were not used as a means of data analysis.

This situation notwithstanding, it is believed that the data available from these questionnaires is sufficient for qualitative analysis and a basic review of the Authority's training programmes. It is also expected that the policy recommendations drawn will provide a strong basis for establishing good governance principles for schemes.

5 SURVEY FINDINGS

Section I: Trustee Profile

1. Overall

Sample Size: 619

Respondents: 134

The respondents accounted for 22% of the sample, and 10% of the population.

2. Sex (%)

Male: 76.69

Female: 20.30

No response: 3.01

3. Membership to the scheme

Mean: 9 years

Median: 8 years

Mode: 10 years

4. Trusteeship

Mean: 5 years

Median: 5 years

Mode: 5 years

5. Representation (%)

Members: 57.89

Sponsor: 40.60

Not Applicable: 1.50*

* Corporate trustee/No response

6. Years to retirement

Mean: 14 years*

Median: 14 years*

Mode: 15 years*

* Some trustees have retired or are employed on contract basis.

7. Employment position

	Overall (%)	Males (%)	Females (%)	No response (%)
Top management	54.14	81.94	16.67	1.39
Supervisor/Senior officer	26.32	80.00	17.14	2.86
Mid-level officer	14.29	52.63	47.37	0.00
Lower cadre	3.01	100.00	0.00	0.00
Other (Corporate Trustees)	1.50			
No response	0.75	100.00		

Section II: Scheme Profile

8. Type of scheme (%)

Individual: 19.55
Occupational: 75.19
No response: 5.26

The response to this question indicates that some trustees are not aware of the schemes that they manage. Firstly, it is assumed that the 7 trustees who left this question blank do not know what type of scheme they manage. Secondly, only 8 individual retirement benefits schemes were sampled for the survey. If all 8 responded, the percentage of trustees of individual retirement benefits schemes should be 6.02%.

9. Trusteeship (%)

Group of individuals: 61.65
Corporate trustees: 15.04
Both: 18.05
No response: 5.26

The response to this question indicates that some trustees are also not aware of the constitution of their boards. Less than 1% of the schemes selected in the sample have boards consisting of individual and corporate trustees.

10. Number of trustees

Mean: 5*

Median: 4*

Mode: 4*

* This excludes one response which indicated 33 trustees.

The largest number of trustees was 12 (1 scheme), while the lowest was 2 (3 schemes). In the latter, the number of trustees shows lack of compliance with Section 8 (c) of the Occupational Regulations, which requires that Defined Benefit and Defined Contribution schemes have a minimum of 3 and 4 trustees respectively.

The trustee who indicated that the board comprised 33 trustees also indicated that the scheme had 33 members, which indicates a lack of understanding of the definition and responsibilities of trusteeship.

11. Scheme age

Mean: 14 years

Median: 11 years

Mode: 5 years

Oldest scheme: 52 years

Newest scheme: 1 year

12. Average age of members

Mean: 37 years*

Median: 37 years*

Mode: 40 years*

* This excludes responses given as 180 and 406.

** In cases where a range was given instead of a specific age, the mid-point of the range was taken as the average age.

13. Scheme membership

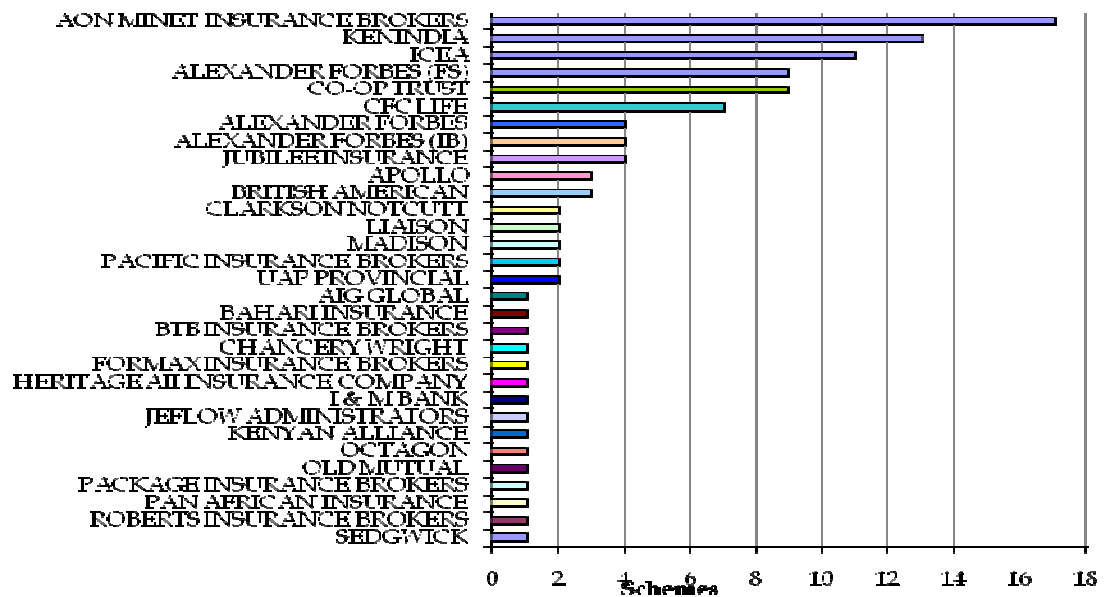
Active scheme members	Mean	222
	Maximum	5,000
	Minimum	2
Pensioners	Mean	24
	Maximum	555
	Minimum	0
Dependants of deceased members	Mean	3
	Maximum	77
	Minimum	0
New entrants (1 st January 2006 to 31 st December 2006)	Mean	14
	Maximum	200
	Minimum	0
Exits (1 st January 2006 to 31 st December 2006)	Mean	11
	Maximum	200
	Minimum	0

14. Scheme administration (%)

Internally administered: 16.54

Externally administered: 83.46

15. Scheme administrators



Graph I: Scheme administrators

The graph above shows that some trustees may not understand the role of the administrator. The following do not offer administrative services:

- I & M Bank; and,
- AIG Global.

In other instances, an institution with an affiliate that offers administrative services was quoted as the administrator. In such instances, it was assumed that the trustee intended to enumerate the institution's administrative function. For example, where Co-operative Bank or its affiliate was quoted as an administrator, it was assumed that the trustee meant Co-op Trust Investment Services.

16. Scheme fund value in KShs (to the nearest million)

Mean:	95
Median:	14
Mode:	4
Highest value:	2,400
Lowest value:	0.009

Section III: Education

17. Awareness of RBA trustee training (%)

Yes: 73.68

No: 26.32

56% of the respondents who were aware of regular RBA trustee training indicated that they had attended at least one trustee training session. 7% of the respondents who were not aware of regular RBA trustee training had attended at least one RBA trustee training seminar.

18. RBA trustee training seminars attended

Mean: 1

Median: 0

Mode: 0

Highest: 6

56% of the respondents have not attended any trustee training seminar hosted by RBA. Of these, 43% were not aware that RBA trains scheme trustees on a regular basis.

19. Other scheme trustees trained at RBA seminar (%)

Yes: 52.63

No: 46.62

No response: 0.80

20. Trustee training topics (in order of preference)**Popular recommendations for 1st-time participants**

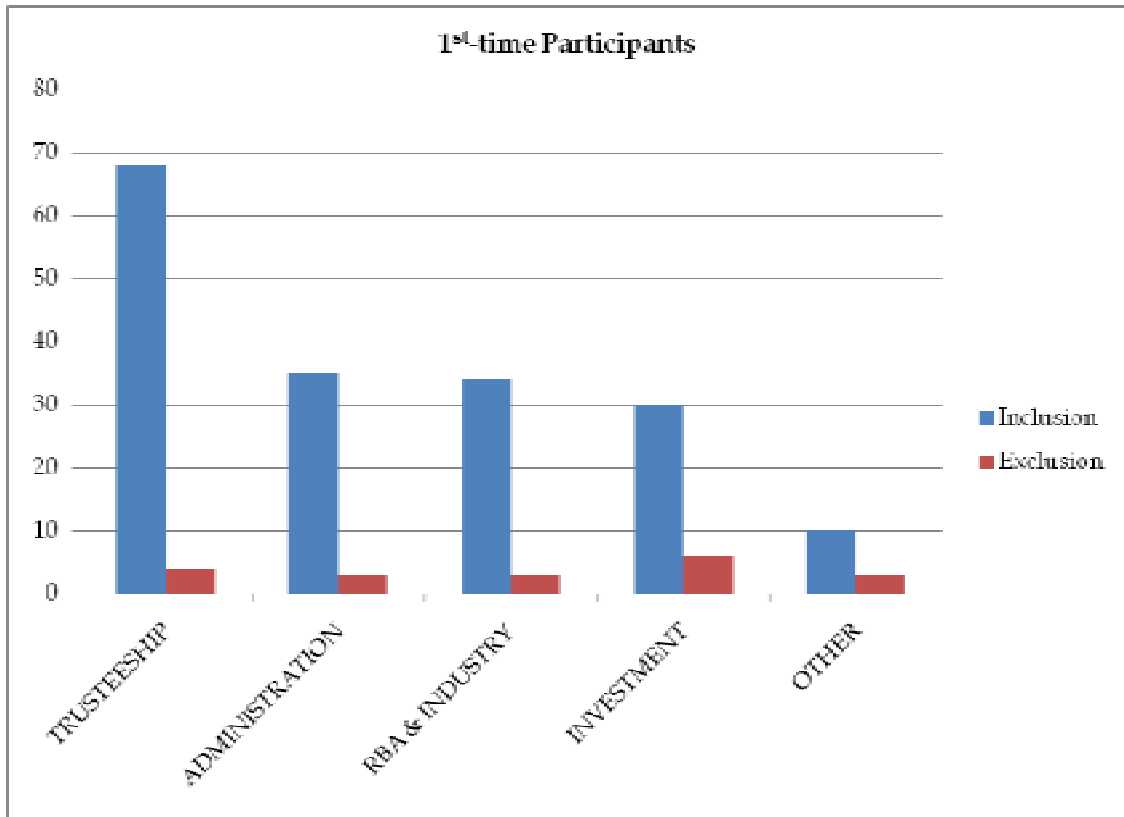
	Topic	Details	Requests
1	Trusteeship	<ul style="list-style-type: none">• Risks and possible trustee liabilities• Roles and responsibilities of trustees• Trust deeds	68
2	Scheme administration	<ul style="list-style-type: none">• Benefits calculations• Effective scheme management• Financial planning• Financial provisions• Templates for financial reporting• Types of schemes	35
3	Legislation	<ul style="list-style-type: none">• Amendments to the RBA Act• Legislative requirements• Preservation rule• The RBA Act	34
4	Compliance requirements	<ul style="list-style-type: none">• Actuarial valuations• Compliance legislation• Establishing a scheme• Members' rights• Role of sponsors	31
5	Investment	<ul style="list-style-type: none">• Investment guidelines• Investment policies• Scheme investments• Taxation	30
6	Role of RBA and service providers	<ul style="list-style-type: none">• Choosing a good service provider• RBA's objectives• Roles of service providers	29
7	Other	<ul style="list-style-type: none">• Pre-retirement matters• Survey findings	10

Topics that should not be covered for 1st-time participants

	Topic	Details	Requests
1	Investments	<ul style="list-style-type: none"> • Investment guidelines • Investment policies • Investments • Taxation 	6
2	Trusteeship	<ul style="list-style-type: none"> • Introduction to trusteeship • Scheme governance • Trustee responsibilities 	4
3	RBA and the industry	<ul style="list-style-type: none"> • Introduction to Authority and industry • Role of the Custodian 	3
4	Basics of Schemes and their administration	<ul style="list-style-type: none"> • Eligibility • Financial management • Scheme characteristics 	3
5	Other	<ul style="list-style-type: none"> • NHIF • RBA Act and Regulations • Survey findings 	3

Requests for inclusion exceed those for exclusion of each topic.

Comparison of Requests for Topic Inclusion and Exclusion



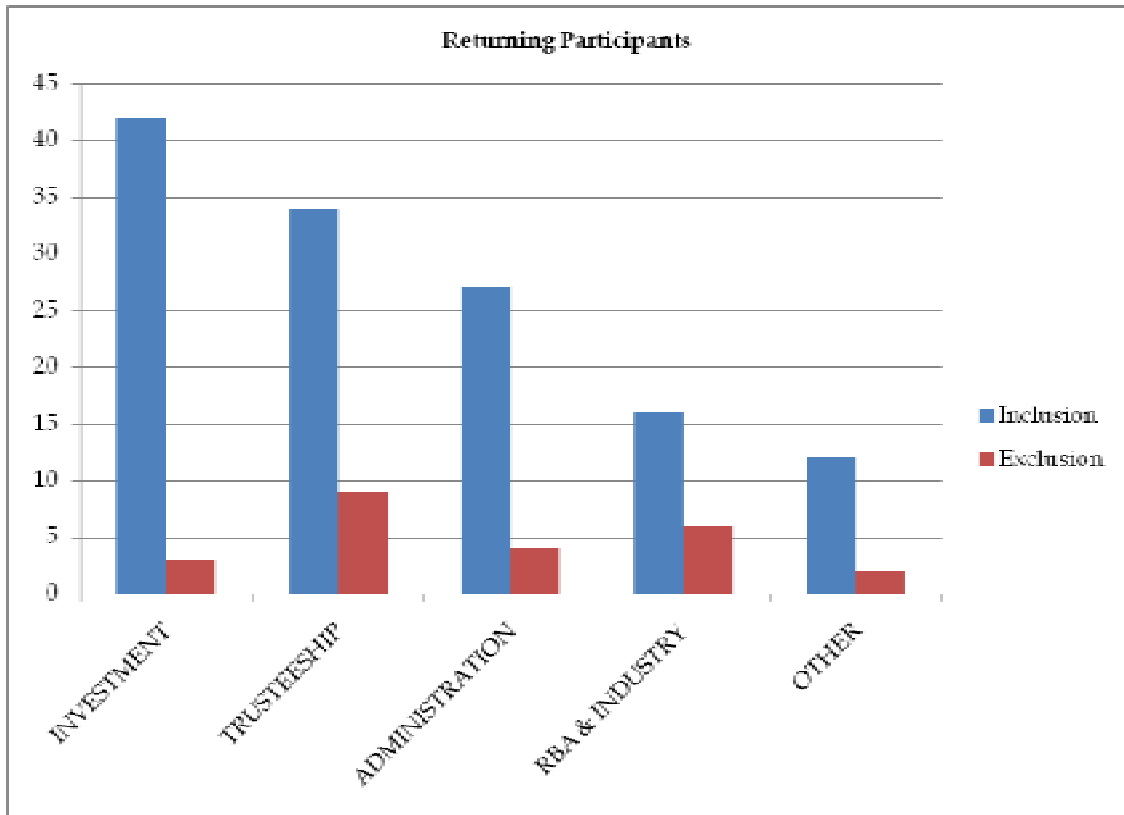
Popular recommendations for returning participants

	Topic	Details	Requests
1	Investment	<ul style="list-style-type: none"> • Investment guidelines • Investment policies • Scheme investments • Taxation 	42
2	Trusteeship	<ul style="list-style-type: none"> • Roles and responsibilities of trustees • Trust deeds 	34
3	Scheme administration	<ul style="list-style-type: none"> • Benefits calculations • Effective scheme management • Financial planning • Financial provisions • Templates for financial reporting • Types of schemes 	27
4	Legislation	<ul style="list-style-type: none"> • Amendments to the RBA Act • Legislative requirements • Preservation rule • The RBA Act 	23
5	Compliance requirements	<ul style="list-style-type: none"> • Actuarial valuations • Compliance legislation • Establishing a scheme 	19
6	Role of RBA and service providers	<ul style="list-style-type: none"> • Choosing a good service provider • RBA's objectives • Roles of service providers 	16
7	Other	<ul style="list-style-type: none"> • Pooled funds • Pre-retirement matters • Retirement • Survey findings 	12

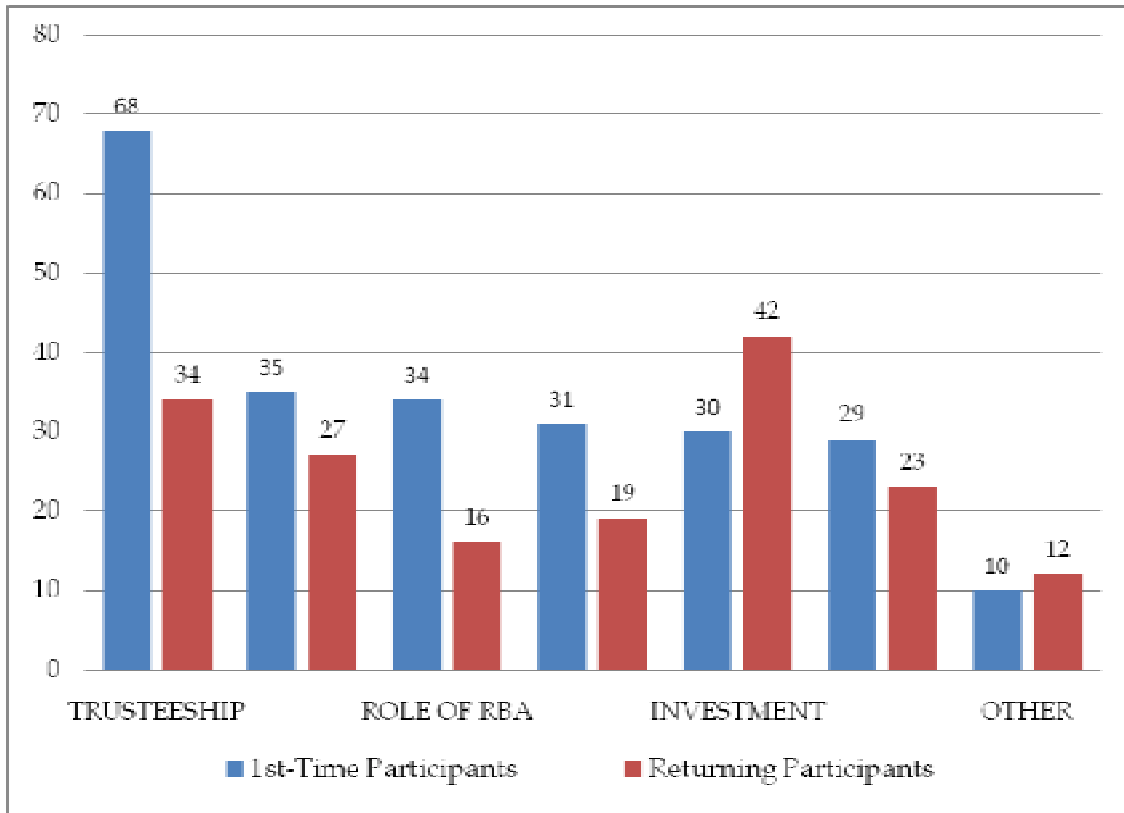
Topics that should not be covered for returning participants

	Topic	Details	Requests
1	Trusteeship	<ul style="list-style-type: none">• Risks and possible trustee liabilities• Roles and responsibilities of trustees• Trust deeds	9
2	RBA and the industry	<ul style="list-style-type: none">• Introduction to Authority and industry• Role of RBA	6
4	Basics of Schemes and their administration	<ul style="list-style-type: none">• Contributions• Preparation of annual reports• Types of schemes	4
3	Investments	<ul style="list-style-type: none">• Investment guidelines• Investments• Tax registration	3
5	Other	<ul style="list-style-type: none">• Management of retirement benefits• Training of new comers	2

Comparison of Requests for Topic Inclusion and Exclusion



Comparison of Requests for Topic Inclusion by 1st-time and Returning Participants



The topics recommended for the training programmes, although different in popularity, are similar. For this reason, it can be assumed that there is no need to segregate training programmes for 1st-time and returning participants.

21. Trustee has attended trustee training by another institution (%)

Yes: 36.09

No: 63.91

22. Other trustees have attended trustee training by another institution (%)

Yes: 40.60

No: 56.39

No response: 3.01

23. Sponsoring institution

	Institution		Number
1	Fund administrator		35
2	Fund custodian		2
3	Fund manager		9
4	Investment advisor		6
5	Other	ARBS ICPAK Alexander Forbes CFC Liaison	13

24. Trustee training statistics

Exposure	(%)
Respondents who have attended at least one trustee training seminar	57.14
Schemes whose trustees (excluding respondent) have attended at least one trustee training seminar	64.66
Respondents who have attended at least one RBA trustee training seminar	44.36
Schemes whose trustees (excluding respondent) have attended at least one RBA trustee training seminar	52.63
Respondents who have attended at least one trustee training seminar sponsored by another organisation	36.09
Schemes whose trustees (excluding respondent) have attended at least one trustee training seminar sponsored by another organisation	40.60
Schemes whose boards of trustees have had some form of exposure to trustee training	70.68
Trustees who are not aware that RBA conducts trustee training seminars on a regular basis	26.32

The majority of trustees have had some form of trustee training, with greater numbers having attended RBA trustee training seminars.

25. Comparison of RBA training against other institutions' training

	Item	Measure	Number
1	Venue	Less convenient	3
		Equally convenient	34
		More convenient	10
2	Cost	Less convenient	4
		Equally convenient	33
		More convenient	10
3	Training duration	Less adequate	10
		Equally adequate	25
		More adequate	12
4	Quality of training material	Much better	15
		Better	18
		Equal	11
		Worse	3
		Much worse	0
5	Quality of presentations	Much better	16
		Better	15
		Equal	13
		Worse	3
		Much worse	0
6	Time management	Much better	9
		Better	19
		Equal	17
		Worse	0
		Much worse	0
7	Effectiveness of training	Much better	10
		Better	16
		Equal	18
		Worse	2
		Much worse	0

	Item	Measure	Number
8	Choice and content of topics	Much better	14
		Better	14
		Equal	18
		Worse	1
		Much worse	0

Overall, RBA trustee training was rated as better than the training offered by other institutions.

Amendment of the training material to reflect the recommended topics is likely to improve these ratings.

26. Awareness of RBA pre-retirement training (%)

Yes: 45.11

No: 54.89

27. Access to and rating of RBA public education activities

	Item	Access (%)	Relevance of information		Quality of presentation	
1	Trade fair stands	16.54	Excellent	4	Excellent	3
			Good	25	Good	24
			Average	5	Average	8
			Bad	1	Bad	1
			Poor	0	Poor	0
2	RBA Open Day	19.55	Excellent	7	Excellent	5
			Good	23	Good	25
			Average	2	Average	4
			Bad	0	Bad	0
			Poor	2	Poor	1

	Item	Access (%)	Relevance of information		Quality of presentation	
3	RBA website	36.09	Excellent	8	Excellent	7
			Good	27	Good	25
			Average	8	Average	8
			Bad	1	Bad	2
			Poor	1	Poor	1
4	RBA News	59.40	Excellent	14	Excellent	14
			Good	41	Good	0
			Average	11	Average	10
			Bad	1	Bad	1
			Poor	1	Poor	1

The majority of respondents have had access to the RBA website, and RBA newsletter. The Authority should capitalise on these to relay information to trustees.

Section IV: Knowledge of retirement benefits law requirements

28. Knowledge of scheme design (%)

Defined benefit (DB)	15.04
Defined contribution (DC)	72.93
Doesn't know	9.02
No response	3.01

Only 40% of the trustees who indicated that their scheme was a DB scheme indicated the benefits formula. One trustee's response on the formula indicates a DC scheme.

29. Knowledge of scheme type (%)

Pension scheme	59.40
Provident fund	33.83
Doesn't know	3.76
No response	3.01

30. Knowledge of current trivial pension amount (%)

KShs 0 – 5,000	30.83
KShs 5,001 – 10,000	18.05
Over KShs 10,000	7.52
No responses	43.61

Over 50% of trustees do not know the stipulated trivial pension amount.

The trivial pension amount was revised in from KShs 4,169 to KShs 7,398 in January 2007. It is assumed that trustees who put the trivial pension threshold in the KShs 0 – 5,000 bracket are aware that a trivial pension amount exists, and that this figure is KShs 4,169. For this reason, it is assumed that 51% of trustees do not know the stipulated trivial pension amount.

31. Impact of scheme administration and scheme type on knowledge of trivial pension amount

Characteristic	Respondents	Knowledge of trivial pension amount (%)	
Externally administered	111	0 – 5,000	28.83
		5,001 – 10,000	18.02
		Other	53.15
Internally administered	9	0 – 5,000	40.91
		5,001 – 10,000	18.18
		Other	40.91
Pension scheme		0 – 5,000	43.04
		5,001 – 10,000	22.78
		Other	34.18
Provident fund		0 – 5,000	8.89
		5,001 – 10,000	13.33
		Other	77.78

Whereas trustees should not delegate their responsibilities, it is anticipated that trustees of internally administered schemes would be more aware of matters relating to trivial pensions. However, from the responses, only 18% of the trustees of internally administered schemes are aware of the correct trivial pension amount. Further, over 50% of these trustees are not aware of any of the trivial pension amounts.

It is also assumed that trustees of pension schemes should know more about the trivial pension amount than trustees of provident funds. More than 65% of trustees of pension schemes know about trivial pensions, although only 23% know the correct trivial pension amount.

However, it is alarming to note that it is only in the case of provident funds that a larger proportion of trustees know the correct bracket of the current trivial pension amount.

This alludes to the fact that the Authority may not have adequately publicised the revised trivial pension threshold.

32. Comments on current trivial pension amount

Comment	Observations
Increase threshold for trivial pension amount	32
Current trivial pension amount is reasonable	20
Revise trivial pension amount annually/adjust amount for inflation	5

33. Normal retirement age of scheme

Mean	57
Median	55
Mode	55

34. Knowledge of scheme vesting formula of scheme

Full vesting within 1 year	7 schemes
Full vesting within 2 years	2 schemes
Full vesting within 3 years	56 schemes
Full vesting after over 3 years	4 schemes
No response	64 schemes

One respondent indicated that the vesting period for their scheme is 5 years. This indicates a lack of knowledge of current RBA regulations, and alludes to the abuse of members' rights.

35. Remarks on locking-in rule

Comment	Proportion of Observations
Unfair for retrenched members	6.8%
Unfair/Unpopular (for other reasons)	30.5%
<i>Sub total (not in favour)</i>	<i>37.3%</i>
Pension is for pension/Increases income replacement rate	16.9%
Good policy (for other reasons except the above)	18.6%
<i>Sub total (in favour)</i>	<i>35.5%</i>
Respondent did not seem to understand the question/preservation rule regulations	16.1%
Should be left to the member's discretion	8.5%
Other response	2.5%

Other reasons why the preservation rule was unpopular included:

- Benefits that accrue from preservation are insignificant;
- Employees should be allowed to access benefits when they are still young;
- Life expectancy in Kenya is low;
- Members do not support the preservation rule;
- People should have the freedom to manage their funds; and,
- The Kenyan economy is not favourable enough for the preservation rule.

Other rules why the preservation rule was popular included:

- The member may have other sources of income to sustain her/him until retirement;
- It stabilises the retirement benefits scheme;
- It allows for long-term investments;

It was noted that a notice period should have been given prior to the establishment of the rule. It was also suggested that RBA conducts training regarding the benefits of the preservation rule and that benefits be used as security for loans. One respondent also suggested that the employee's portion of contributions be preserved until retirement age.

36. Impact of trustee training on response to preservation rule (observations)

Training institution	Positive	Negative	Question/Regulation misunderstood
RBA	25	24	6
Other	25	29	9

Positive responses to the preservation rule are outweighed by the negative responses from respondents who have attended a trustee training seminar. Because trustees' response to the rule affects members' response, the Authority should invest in training trustees on the importance of preservation rule. The Authority should also train scheme sponsors and members to ensure that the members are happy to be saving for retirement.

The positive responses to the preservation rule are equal from respondents who have attended training from RBA or another institution. This implies that trustee training offered by other institutions is complementary, and therefore increases the probability that a scheme will be well governed.

37. Awareness of tax benefits (%)

Yes: 78.20
No: 16.54
No response: 5.26

Of the 104 trustees who indicated knowledge of the tax benefits of registering the scheme with the Kenya Revenue Authority (KRA), 67 of them indicated the correct tax-free limit on monthly contributions (KShs 20,000). 42 of them had attended at least one trustee training seminar sponsored by RBA or another institution.

Section V: Scheme Compliance Status

Only 17 schemes gave the registration date as per the requested format. This question was therefore not analysed.

38. Investment policy review status

Review	Current status	Observations
Annual	Valid	7
	Invalid	2
Every 3 years	Valid	20
	Invalid	0
Every 5 years	Valid	0
	Invalid	3
Other period	Valid	12
	Invalid	26

Only 70 respondents answered this question. Of these, 44% were trustees of schemes whose investment policies were invalid. This is in breach of section 37 of the occupational regulations, and a sign of poor governance.

39. Asset allocations within investment policy guidelines (analysis for the 70 respondents)

Yes:	90.00%
No:	1.43%
No response:	8.57%

Whereas 63 respondents indicated that their schemes' asset allocations were within investment policy guidelines, only 33 were from schemes whose investment policies were valid.

40. Satisfaction with service providers

	Service provider	Area	Proportion of observations				
			1	2	3	4	5
1	External administrator	Service delivery	17.9%	73.7%	2.1%	6.3%	0.0%
		Quality of reports	24.5%	66.0%	4.3%	4.3%	1.1%
		Timeliness of reports	15.2%	65.2%	7.6%	12.0%	0.0%
		Professionalism	23.7%	67.7%	6.5%	2.2%	0.0%
		Fees	16.7%	66.7%	12.2%	4.4%	0.0%
		Overall	18.3%	75.6%	2.4%	2.4%	1.2%
2	Custodian	Service delivery	27.6%	65.5%	4.6%	1.1%	1.1%
		Quality of reports	25.9%	60.5%	8.6%	3.7%	1.2%
		Timeliness of reports	21.3%	65.0%	5.0%	7.5%	1.3%
		Professionalism	24.4%	67.1%	4.9%	2.4%	1.2%
		Fees	15.7%	69.9%	9.6%	4.8%	0.0%
		Overall	18.4%	71.1%	5.3%	3.9%	1.3%
3	Manager	Service delivery	21.8%	65.3%	6.9%	5.9%	0.0%
		Quality of reports	24.5%	59.2%	9.2%	6.1%	1.0%
		Timeliness of reports	17.3%	60.2%	12.2%	9.2%	1.0%
		Professionalism	25.8%	61.9%	7.2%	5.2%	0.0%
		Fees	16.1%	66.7%	8.6%	8.6%	0.0%
		Overall	17.2%	66.7%	9.7%	4.3%	2.2%

	Service provider	Area	Proportion of observations				
			1	2	3	4	5
4	Auditor	Service delivery	17.2%	66.7%	9.7%	4.3%	2.2%
		Quality of reports	22.4%	66.3%	6.1%	5.1%	0.0%
		Timeliness of reports	25.0%	66.7%	6.3%	2.1%	0.0%
		Professionalism	20.8%	66.7%	7.3%	5.2%	0.0%
		Fees	17.2%	74.7%	5.7%	2.3%	0.0%
		Overall	16.3%	72.4%	8.2%	3.1%	0.0%
5	Actuary	Service delivery	19.5%	72.4%	4.6%	3.4%	0.0%
		Quality of reports	17.2%	78.1%	0.0%	3.1%	1.6%
		Timeliness of reports	18.0%	75.4%	3.3%	1.6%	1.6%
		Professionalism	13.1%	78.7%	3.3%	3.3%	1.6%
		Fees	22.6%	72.6%	1.6%	1.6%	1.6%
		Overall	12.7%	73.0%	7.9%	4.8%	1.6%

Key: 1 - Very satisfied; 2 - Satisfied; 3 - Indifferent; 4 - Dissatisfied; 5 - Very dissatisfied

The overall satisfaction rate for service providers was highest for administrators, custodians and auditors and lower for managers and actuaries, though it can not be discerned whether this was as a result of service delivery, reports, professionalism or fees.

41. Scheme has simplified membership booklet (%)

Yes: 32.33

No: 62.41

No response: 5.26

42. AGM held in last financial year

Yes: 60.90

No: 33.08

No response: 6.02

43. Benefits statements given to members in last financial year

Yes: 73.68

No: 21.05

No response: 5.26

44. Recommendations for RBA

45.

	Recommendation	Details
1	Training	<ul style="list-style-type: none">• Certify trustees• Conduct more public education• Conduct training in more locations• Increase duration of training• Increase frequency of open days• Make trustee training mandatory• Train members• Train scheme sponsors and management• Train trustees
2	Information sharing	<ul style="list-style-type: none">• Continue publishing newsletter• Give trustees and service providers forums to share experiences• Give trustees educational material• Give trustees forums to share experiences• Issue newsletter on time• Organise more workshops and seminars• Provide information on legislative changes
3	Industry development	<ul style="list-style-type: none">• Allow for pension assets to be used as mortgage security• Attend scheme AGMs• Attend trustee meetings• Conduct more research• Conduct scheme inspections• Employer should not chair Board of Trustees

	Recommendation	Details
		<ul style="list-style-type: none"> • Enhance compliance supervision • Liaise with stakeholders regarding budget proposals • Make saving for retirement mandatory • Negotiate for more tax incentives
3	Industry development	<ul style="list-style-type: none"> • Reduce RBA levy amount • Reward exemplary trustees • Set minimum qualification for trustees

6 CONCLUSIONS

1. Do scheme trustees know what is required of them under the Retirement Benefits Act and Regulations?

- More than 12% of the respondents did not have sufficient information regarding the design of their retirement benefits scheme, ie whether it is a defined benefit (DB) or defined contribution (DC) scheme.
- 7% of the respondents do not know whether their scheme is a pension or provident fund (scheme type).
- Over 50% of the respondents did not know the most recent stipulated trivial pension amounts. In addition, less than 20% of the respondents know the current trivial pension amount.
- Over 80% of the trustees of internally administered schemes and over 75% of the trustees of pension schemes did not know the current trivial pension amount.

2. Assessment of trustees' appreciation of information provided through RBA newsletter, website, seminars and exhibitions

- Those who have had access to the RBA trade fair stands, Open Days, website and newsletter were 17%, 20%, 36% and 59% respectively.
- RBA's other public education activities were generally rated as "Good".
- It was suggested that RBA organise more seminars and workshops, and that trustees be presented with forums to interact with fellow trustees and service providers.

3. Proportion of scheme trustees who have been represented at trustee training seminars

- 57% of the respondents have attended at least one trustee training seminar.
- 44% and 36% have attended at least one trustee training seminar sponsored by RBA and another training institution, respectively.
- 65% of the respondents were from schemes whose boards of trustees have had some form of exposure to trustee training.
- 26% of the respondents were not aware that RBA conducts trustee training seminars on a regular basis.

4. Impact of education on scheme management and compliance

Overall, trustee education seems to have had little impact on scheme management and compliance.

- Some trustees who indicated that their schemes are externally administered indicated their administrators as institutions that do not perform administrative functions.
- More than 12% of the respondents did not have sufficient information regarding the design of their retirement benefits scheme, ie whether it is a defined benefit (DB) or defined contribution (DC) scheme. Knowledge of scheme type and design is a core aspect of effective scheme management, and as such, it is assumed that these schemes are not managed as effectively as they should be.
- 7% of the respondents do not know whether their scheme is a pension or provident fund (scheme type).
- Less than 50% of the respondents knew the current trivial pension amount. Further, over 80% of the trustees of internally administered schemes and over 75% of the trustees of pension schemes did not know the current trivial pension amount. This again indicates poor trusteeship, as members who are eligible may not get their benefits commuted, and those who are ineligible may get their benefits commuted.
- 19 respondents did not seem to understand the regulations relating to the preservation rule. As is the case for trivial pensions, lack of understanding of the preservation rule means that members may not get their benefits treated as they should be upon leaving service.

- 33% of the trustee referred to the preservation rule as unfavourable, which indicates that they may not be aware of the factors that led to its establishment. As such, these trustees cannot enlighten members on the importance of preservation of the employer's portion of contributions until retirement.

5. Trustees' appreciation of the current trustee training seminar topics

- 44% of the respondents have attended at least one RBA trustee training seminar.
- Trustees appreciate the current RBA training topics. However there were some areas that were suggested for inclusion in future trainings.
- There is no significant difference in the topics recommended for 1st-time participants and returning participants.
- Overall, RBA's trustee training seminar programme was rated better than trainings offered by other institutions.

6. Trustees' current information and industry needs

Trustees' current information needs can be addressed through RBA's training programme. The following should be noted:

- Trustees should be educated on the current RBA Act and Regulations, and how the legislative requirements affect them as trustees.
- They should also be educated on their roles and responsibilities. It is important for training institutions to impress upon them that they should not delegate any of their responsibilities, and must at all times keep abreast of matters relating to their schemes.
- From the data collected, the Authority and other institutions offering training serve complementary roles. RBA should therefore liaise with training institutions in order to enhance the effectiveness of the training provided.

7 POLICY IMPLICATIONS

1. Board of Trustees

- Section 8(c) of the Occupational Regulations requires that DC and DB schemes have at least 3 or 4 trustees respectively. This section also requires that the former and latter have at least 1/2 and 1/3 member-nominated trustees respectively. However, some respondents indicated that their schemes had 2 trustees.

It is recommended that an audit of all schemes be undertaken to ensure compliance with the regulations on trusteeship.

- The illustrative format for submission of accounts requires that a list of trustees and details of the scheme's registered office be provided.

It is recommended that the Authority contacts all scheme trustees who do not submit these details within 4 weeks of the submission of the accounts.

- The Occupational Regulations should also be amended to require every trustee to attend a minimum of 2 trustee meetings every year, and at least 2 out of 3 AGMs per tenure. This will ensure that trustees become aware of their responsibilities, and that they are well informed on matters relating to the scheme.
- The Authority should prepare a Trusteeship Guide which offers basic information relating to scheme trusteeship. The Occupational Regulations should then be amended to require the Chairman of a Board of Trustees to ensure that each trustee has access to the Trusteeship Guide.

8 OTHER RECOMMENDATIONS

- The Authority should amend its trustee training programme to incorporate the recommendations made by trustees.
- All schemes should be requested to provide current details of their trustees, especially:
 - Names and designations of the current trustees;
 - Current tenure and duration of trusteeship;
 - Current details of service providers; and,
 - Details of trustee training exposure.

- The Authority should use its website and quarterly newsletter to disseminate information regarding trustees, especially because the higher proportions of trustees had had access to these media.

APPENDICES

APPENDIX I - QUESTIONNAIRE

RETIREMENT BENEFITS AUTHORITY TRUSTEES' SURVEY 2007

The Authority seeks to use the information collected from this survey for the improvement of its educational campaigns, and development of the retirement benefits industry. All responses will be treated in confidence. The data collected from these questionnaires will not be used to pursue compliance matters, but only for the purposes stated above. Kindly give clear and candid responses to all questions.

SECTION I: TRUSTEE PROFILE

- 1) **Your name:** _____ (Optional)
- 2) **Gender:**
Male **Female**
- 3) **For how long have you been a member of your scheme?** _____ **years**
(Please round off to the nearest whole number)
- 4) **For how long have you been a trustee of your scheme?** _____ **years**
- 5) **Which group do you represent in the Board of Trustees?**
Members **Sponsor**
- 6) **How many years do you have before you reach the normal retirement age of your scheme?** _____ **years**
(Please round off to the nearest whole number)
- 7) **What is your employment position?** (Please tick [√] only one)
- | Employment position | Indicate | Employment position | Indicate |
|----------------------------------|----------|-------------------------------|----------|
| Top management | | Lower cadre | |
| Supervisor/Senior officer | | Other (Please specify) | |
| Mid-level officer | | | |

SECTION II: SCHEME PROFILE

8) Type of retirement benefits scheme:

Individual Occupational

9) What is the composition of the Board of Trustees? (Please tick [✓] only one)

Group of individuals Corporate Trustees Both

If your answer to Question 9 is 'Group of individuals', proceed to Question 10

If your answer to Question 9 is 'Corporate trustees' or 'both', proceed to Question 11

10) How many trustees does your scheme have? _____ trustees

11) In which year was your scheme established? _____

12) What is the average age of the members of your scheme? _____

years

(Please round off to the nearest whole number)

13) Kindly give details of the following:

1) Number of active members in the scheme: _____

2) Number of pensioners in the scheme: _____

3) Number of deceased members whose dependants are receiving benefits: _____

4) Number of new members in the scheme from 1st January to 31st December 2006:

5) Number of members who exited the scheme between 1st January and 31st December 2006: _____

14) Is your scheme internally or externally administered? (Please tick [✓] only one)

Internally administered Externally administered

15) If externally administered, please give the full name of the administrator.

16) What was the approximate fund value of your scheme as at 31st December 2006?

KShs _____

(Please round off to the nearest million)

SECTION III: EDUCATION

17) Are you aware that RBA trains scheme trustees on a regular basis?

Yes

No

18) If yes, how many RBA trustee training seminars have you attended? _____ seminars

19) Have any other trustees of your scheme attended an RBA trustee training seminar?

Yes

No

20) List 3 topics that should be covered at a seminar for trustees who have already attended one RBA trustee training seminar, in order of priority:

1) _____

2) _____

3) _____

21) List 1 topic that should not be covered at a seminar for trustees who have already attended an RBA Trustee Training Seminar:

22) List 3 topics that should be covered at a seminar for trustees who have never attended an RBA Trustee Training Seminar, in order of priority:

1) _____

2) _____

3) _____

23) List 1 topic that should not be covered at a seminar for trustees who have never attended an RBA Trustee Training Seminar:

24) Have you attended a trustee training seminar organised by another institution?

Yes

No

25) Have any other trustees from your scheme attended a trustee training seminar organised by another institution?

Yes

No

If your answer to Question 24 and/or 25 is 'Yes', proceed to Question 26

If your answers to Questions 24 and 25 are 'No', proceed to Question 28

26) Which type of institution sponsored the training? (Please tick [√] all applicable options)

Institution	Tick as appropriate
Fund administrator	
Fund custodian	
Fund manager	
Investment advisor	
Other (Please specify)	

27) How does RBA training compare against this(these) training(s) in terms of:

1) **Venue** (Please tick [√] only one for all parts of this question)

Less convenient
Equally convenient
More convenient

2) **Cost**

Less convenient
Equally convenient
More convenient

3) **Duration of the training**

Less adequate
Equally adequate
More adequate

Item	Description	Tick as appropriate				
		Much better	Better	Equal	Worse	Much worse
4)	Quality of training material					
5)	Quality of presentations					
6)	Time management					
7)	Effectiveness of training					
8)	Choice and content of topics					

28) Are you aware that RBA trains scheme members who are approaching retirement age on a regular basis?

Yes

No

29) How many scheme members are currently within your scheme's Normal Retirement Age?_ members

30) Have you visited:

1) **RBA stand at the Kisumu, Mombasa or Nairobi trade fairs?**

Yes

No

2) **RBA open day?**

Yes

No

3) **RBA website?**

Yes

No

31) Do you receive the RBA Newsletter on a quarterly basis?

Yes

No

32) On a scale of 1 - 5, how do you rate the information presented through all four of the above? (Please tick [√] only one for each column)

1 - Excellent; 2 - Good; 3 - Average; 4 - Bad; 5 - Poor

	Relevance of information	Quality of presentation
Trade fair stands		
RBA Open Day		
RBA website		
RBA News		

SECTION IV: KNOWLEDGE OF RETIREMENT BENEFITS LAW REQUIREMENTS

33) What is the design of your scheme? (Please tick [√] only one)

Defined benefit **Defined contribution** **I don't know**

If your answer to Question 33 is 'Defined Benefit', proceed to Question 34

If your answer to Question 33 is 'Defined Contribution' or 'I don't know', proceed to Question 35

34) What is the retirement benefits formula for your scheme?

35) What is the type of your scheme? (Please tick [√] only one)

Pension scheme **Provident fund** **I don't know**

If your answer to Question 35 is 'Pension scheme', proceed to Question 36

If your answer to Question 35 is 'Provident fund' or 'I don't know', proceed to Question 37

36) What is RBA's current stipulated trivial pension amount? (Please tick [√] the group in

which the amount falls)

KShs 0 - 5,000

KShs 5,001 - 10,000

Over KShs 10,000

37) Kindly give your comments on RBA's current stipulated trivial pension amount.

38) What is the normal retirement age of your scheme? _____ years

39) What is the vesting formula for your scheme?

40) Please give your comments on the rule requiring preservation of benefits from employers' contributions until retirement age:

41) Are you aware of the tax benefits of registering your scheme with the Kenya Revenue Authority (KRA)?

Yes

No

42) If yes, what is the tax-free limit on monthly contributions?

KShs _____

SECTION V: COMPLIANCE STATUS OF SCHEMES

43) Kindly give the following details:

1) **Date of registration of scheme** (as per registration certificate):

2) **Date of commencement of current investment policy**

3) **Date of expiry of current investment policy**

44) Is your scheme's asset allocation as at 31st December 2006 compliant with the current investment policy?

Yes No

45) How satisfied are you with your service providers? (Please tick [√] only one for each column)

1 - Very satisfied; 2 - Satisfied; 3 - Indifferent; 4 - Dissatisfied; 5 - Very dissatisfied

Area	Administrator <i>(If external)</i>	Custodian	Manager	Auditor	Actuary
Service delivery					
Quality of reports					
Timeliness of reports					
Professionalism					
Fees					
Overall					

46) Does your scheme have a simplified membership booklet?

Yes

No

47) In the scheme's last financial year, did the trustees organise and hold an Annual General Meeting?

Yes

No

48) In the scheme's last financial year, did the trustees give benefit statements to the members?

Yes

No

49) List 3 things that RBA can do to enable trustees carry out their duties more effectively.

Thank you for taking your time to fill this questionnaire.

APPENDIX II - REFERENCES

- i DEUTSCHE BANK, 2002. **Demographics and Pension Reforms in Large Central and Eastern European Countries.** Germany: Federal Republic of Germany.
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- iii THE PENSIONS REGULATOR, 2006. **Report on the 2006 scheme governance survey.** United Kingdom: The Pensions Regulator.
- iv INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS, 2007. **Supervisory Education, Outreach and Communication, Including Training of Trustees.**
- v KPMG Kenya, 2007. **Spotlight on Investment Performance.** Kenya: KPMG Kenya.