

**FACTORS INFLUENCING ACCESS TO PENSION SCHEMES
FUND IN KENYA: A CASE OF NATIONAL SOCIAL SECURITY
FUND- KISUMU BRANCH**

BY

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DECLARATION

I hereby declare that this research report is a record of my original work and the information embodied in it has never been represented to any other institution for academic award.

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This research report has been represented for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this research project report to my dear husband Robert Papa, sons Wesley and Frank and my sister Sara

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ACCRONMS AND ABBREVIATION

CSPS	Civil Servants Pension Scheme Occupational Retirement Schemes
DB	Direct Benefit
DC	Direct Contribution
DEA	Data Envelopment Analysis
GDPs	Gross Domestic Products
HIV/AIDs	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
IRS	Individual Retirement Schemes
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
ORS	Occupational Retirement Schemes
PAYG	Pay-As-You Go
PPRFs	Public Pension Reserve Funds
RBA	Retirement Benefits Authority
SPSS	Statistical Package for Social Sciences
TOC	Theory of Constraints

ABSTRACT

In the recent past, many countries around the globe have experienced rapid establishment and growth of pension funds. This is one of the developments that countries have given considerable attention because of the sensitivity of the transactions involved in pension funds. A global pension crisis has however emerged in the past two years owing to depressed financial markets. From this perspective, the study sought to investigate factors influencing access to pension schemes funds in NSSF in Kisumu Branch. The objectives of the study were: To establish how government policy influence access to pension schemes fund in NSSF, examine how pension awareness influence access to pension schemes fund in NSSF, assess how socio-economic factors influence access to pension schemes fund in NSSF and establish the extent to which product innovation influence access to pension schemes fund in NSSF in Kisumu Branch, Kenya. The study used a descriptive research design with a target population of 135 staff and customers from NSSF. A sample of 111 was obtained using Krejcie & Morgan (1970) verification Table. Data was collected using questionnaires and then analyzed descriptively. Results show that under Government policy, compulsory fund had significant influence on access to pensions, while pensions schemes coverage and prefunding of pensions had no bearing on pension's access due to interference from Legislature (Parliament – preservation rule). The pension awareness had significant influence on access to pension schemes fund in NSSF through planning, retirement financial education and public education campaign. The study also shows that institutional factors, employee age and mobility and labour markets are significant influence on pension access, affordability, benefits adequacy and customer compliance at NSSF. The results also show that product innovation significantly contributed to access to pension schemes fund through pension scheme design, investment portfolios and compensation package. The NSSF provident fund is seen as affordable, affordable and adequate to its target population. The study recommends that the Legislature (Parliament – preservation rule) should demystifying the pension subject in regulating the pensions targeting the all the Kenyan people, NSSF should increase pension's awareness in targeting: Informal sector, youth segments, members, trustees, women and PLWDs, public, media regular and timely communication to employees the policy and procedure on benefits and eliminate negative perception towards retirement. NSSF management should improve on risk management policies that safeguard the replacement rate, investment safety and time-based risks such as inflation and realign new financial product and market designs to improve pension fund access and investments. The findings of this study are significant contribution to the non-existing literature on access to pension funds. It is also significant as pension funds are the principal sources of retirement income for millions of people in the world and contribute to the GDPs of countries with significant source of capital in financial market

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The World Social Protection Report 2014/15 indicates that about one-third of the total non-health public social security expenditure, amounting to 2.3 % of the GDP, is spent on benefits for those of working age. This includes unemployment benefits, employment injury benefits, disability benefits and general social assistance. However, there are significant regional variations, with less than 0.5% in Africa, 1.5% in Asia and Pacific, and 5.9% in Western European countries (ILO, 2014). Pension funds are the principal sources of retirement income for millions of people in the world (Sze 2008). They are also important contributors to the GDPs of countries and a significant source of capital in financial markets (Omondi 2008).

A global pension crisis has however emerged in the past two years owing to depressed financial markets. This has eroded funds to cater for the retirement income of the ageing populations (OECD 2008). It is therefore important that pension funds be managed effectively. According to Davis (1995a), a pension fund is a form of institutional investor, which collects pools and invests funds contributed by sponsors and beneficiaries to provide for the future pension entitlements of the said beneficiaries. The main purpose of pension funds is to provide means for individuals to accumulate savings during their productive or working life in preparation for financing of the consumption needs when they retire from active employment. Pension funds make payments to beneficiaries either by means of a lump sum or by provision of an annuity, while also supplying funds to end-users such as corporations, other households through secured loans or governments for investment or consumption.

In the recent past, many countries around the globe have experienced rapid establishment and growth of pension funds. This is one of the developments that countries have given considerable attention because of the sensitivity of the transactions involved in pension

funds. Pension funds act as an important stimulus to capital markets in most countries where they exist through financial intermediation. Pension funds tend to complement, and hence stimulate development of capital markets, while acting as substitutes for banks. Growth of pension funds is also the consequence of a number of non-financial and demand-side features (Davis, 2000). Statistics show that most people depend on their pension funds as a source of income when they retire. Retirement income accounts for 68% of the total income of retirees in Kenya (Kakwani, Sun & Hinz 2006), 45% in Australia, 44% in Austria and 80% in France, while in South Africa 75% of the elderly population rely on pension income (Alliance Global Investors 2007). In the United States of America 82% of retirees depend on pension income (EBRI 2007a). Pension funds should therefore be managed efficiently to ensure higher retirement income for pensioners.

The need for better managed pension funds in many countries has been necessitated by growing populations around the world. Most countries both developed and developing are experiencing increasing longevity in life expectancy and reduced fertility rates that seem to threaten the sustainability of traditional pay-as-you-go pension systems. The pension contributions from the working population will not be sufficient to support the elderly. In response, countries are increasingly shifting their pension systems toward partial or full funding. In addition to the main purpose of coping with demographic pressures and unsustainable fiscal positions, other motivations for countries to reform their pension systems often include the hope that funded pensions will contribute to economic development by promoting national savings and capital market development (Meng & Pfau, 2010).

Pension schemes in Kenya were first put in place after independence in 1963. The first post independent pension fund body, the National Social Security Fund (NSSF), was established in 1965 (RBA, 2000). Prior to reforms, the pension fund system provided for benefits once a worker retired on attaining the mandatory retirement age of 55 (RBA 2006). The guarantee was fixed as the worker's full basic salary throughout his life or that of the widow as the law did not envisage a situation where the wife would support the husband. This law was embodied in the NSSF Act and the Pensions Act (Cap 189).

The pension fund system in Kenya has been supervised by the independent Retirement Benefits Authority (RBA) since 2000, which oversees the 1997 RBA Act that brought about regulation, protection and structure to the pension fund industry. The RBA continues working to develop the industry and advise the government on pension policy reforms.

The Kenyan pension schemes have four main components: (i) National Social Security Fund (NSSF) (ii) The civil service pension schemes (iii) Privately managed occupational retirement schemes, and (iv) Individual retirement products sold by financial institutions. Overall, the system is estimated to cover about 15% of the labor force and to have accumulated assets of about 18% of GDP. The NSSF is designed to cover all sector formal workers with 1 or more employees. It does not include the main stream public servants. The labor force is about 10 million workers. Currently, the NSSF has 2.5 million active members. The various public pension schemes cover about 1.5 million and private occupational schemes operate at 1 million members' accounts. This leaves about 5 million workers without any form of coverage, of which at least half a million of them are at or near retirement age.

According to RBA (2011) Individual pension schemes are run by corporate institutions commonly by insurance companies. These schemes are open to general public and are convenient channels of retirement benefits for those in employment and those who wish to make additional voluntary contributions. In cases where employers are not able to establish independent occupation schemes due to a smaller workforce, employers are encouraged to put their employees on individual schemes. These schemes are voluntary and their coverage on the workforce is negligible.

The private pension schemes are occupational staff retirement benefit schemes which are voluntarily established by employers for the benefits of their employees. They are funded through contributions from employers and employees and they cover about 1.65% of the total workforce. Under these schemes, most employees could withdrawal their benefits much before retirement, which results in paltry benefits for them to live on during their retirement. These schemes do not help much in alleviating old age poverty (Bodie et al,

2009). A well-defined system of organizational performance measures can be a powerful means for prioritizing organizational goals and achieving them (Kirkendall, 2009). Pension funds have registered a significant growth in most countries across the globe and they are expected to continue with further growth. Organizations seek to emulate the performance successes of others by emulating their organizational forms and practices (Sutton, 1997).

1.2 Statement of the Problem

Chruden et al (1984) attributed the problem to inadequate funding in both the public and private sectors saying that current difficulties have been caused in part by the fact that:- Current wages upon which pension are based today drastically exceed the wage rates upon which the contributions into the pension funds were determined in earlier years; Employees are exceeding the life expectancies upon which their pension benefits were funded; employers giving into union bargaining demands for higher pension without taking a critical look at what the future costs of these demands might require. The purchasing power that pension benefits provided is continually being eroded by inflation (Dessler, 2000). The standard of living among retirees is declining rapidly while, the life expectancy increases. Sheer (1979) aptly put it “pensioners are going broke”. He observes that despite the proliferation of public and private pension plans in recent years, rising costs and the rate of inflation make many programs economically unsound. Added to the problem of inadequate pension funding have been movements to have more pension funds diverted to investments considered socially desirable.

Another study conducted by Crose, Kaminker & Stewart (2011) on the role of pension funds in financing green growth initiatives. The study established that pension funds asset allocation to green investments remains low. The study also revealed that the main reason behind the low investment is partly due to a lack of environmental policy support, but other barriers to investment include a lack of appropriate investment vehicles and market liquidity, scale issues, regulatory disincentives and lack of knowledge, track record and expertise among pension funds about these investments and their associated risks. Njuguna (2011) in his study on the determinants of pension fund corporate governance in

Kenya found out that pension governance is influenced by pension regulations, leadership, and membership age.

As a result of design problems of the pension schemes fund, most countries in the world and especially in Africa have embarked on reforming their pension schemes fund to meet the objectives of the schemes. For example, according to research conducted by Weatherston, (2008), the urgent issue for pension reforms in developing countries is not only the need to introduce social protection systems but to help alleviate demographic pressures, poverty amongst the elderly and provided support for household headed by grandparents following the HIV/AIDs pandemic and regional conflicts. Various studies have been carried out on performance of organizations, corporate governance and pension funds most have examined the role of the schemes and why organizations. None have attempted to establish the factors that influence the success of affect pension funds or schemes yet pension funds are a unique type of organizations because they hold long term liabilities that belong to beneficiaries. This study thus sought to establish the factors influencing access of pension schemes fund in Kenya in order to bridge the gap.

1.3 Purpose of the Study

The purpose of the study was to investigate factors influencing access to pension schemes fund in National Social Security Fund in Kisumu Branch.

1.4 Objectives of the Study

- i. To establish how government policy influence access to pension schemes fund in National Social Security Fund in Kisumu Branch.
- ii. To determine the extent to which pension awareness influence access to pension schemes fund in National Social Security Fund in Kisumu Branch.
- iii. To assess how socio economic factors influence access to pension schemes fund in National Social Security Fund in Kisumu Branch.
- iv. To establish the extent to which product innovation influence access to pension schemes fund in National Social Security Fund in Kisumu Branch.

1.5 Research Questions

- i. How does government policy influence access to pension schemes fund in

National Social Security Fund in Kisumu Branch?

- ii. To what extent do pension awareness influence access to pension schemes fund in National Social Security Fund in Kisumu Branch?
- iii. How do Socio-economic factors influence access to pension schemes fund in in National Social Security Fund in Kisumu Branch?
- iv. To what extent does product innovation influence access to pension schemes fund in in National Social Security Fund in Kisumu Branch.?

1.6 Assumptions of the Study

- i. The study assumed that the selected sample represented the population in all the variable of interest and those respondents cooperated.
- ii. The respondents adhered to the rules stipulated on the questionnaire forms.
- iii. The selected sample of respondents gave information freely without fear and biasness in an attempt to counteract respondents' effect hence obtained correct responses.

1.7 Significance of the Study

The findings of this study may be a significant contribution to the existing literature on access to pension funds. It is also significant as pension funds are the principal sources of retirement income for millions of people in the world (Sze, 2008) and are also important contributors to the GDPs of countries with significant source of capital in financial markets (Omondi, 2008). This is an area that may help the Government/institutions, policy makers and researchers in addressing inadequate policy frameworks guiding pension schemes and its accessibility to customers. This forms a benchmark for policy makers to come up with policies that can enhance access and viability of their schemes.

1.8 Limitations of the Study

The researcher experienced a challenge in getting access to information at the NSSF facility. The institutional policies of the NSSF had certain limitations regarding disclosure of information regarded as sensitive. Some respondents were afraid or suspicious about the intention of the study. They doubted the researcher's intention of carrying out the study and this was likely to limit their participation in the study. To

minimize these respondents' effects, the researcher reassured the respondents that the research was purely academic and their responses were confidential so that correct responses were solicited.

1.9 Delimitation of the Study

The study was delimited to factors influencing access to pension schemes fund at the National Social Security Fund. Data was obtained from the NSSF staff and customers in Kisumu branch and this reflected the nature of pension schemes fund in Kenya and how they are influenced by Government policy, Socio-economic factors, pension fund education and product innovation. These factors significantly influence customer access and retention to pension schemes fund hence satisfaction of Kenyans.

1.10 Definition of Significant Terms

Pension funds: An open systems which receive inputs, convert these inputs into outputs and deliver these outputs to stakeholders, (Davis, 2005). This definition is adopted for the study.

Access: Refers to capability of pension fund to pay its members promptly (i.e. within 5 days of claim) and that is the objective of a secure pension fund

Government policy: These are legal and regulatory frameworks that are legislated to govern institutions such Pension schemes in an attempt to regulate and enhance their service delivery to the people

Socio-economic: These are the social and economic factors that affect performance of the pension schemes

Product innovation: Packaging of the pension schemes in a manner to penetrate and attract huge market share

1.11 Organization of the Study

The study was to investigate into the factors influencing access to pension schemes fund

in National Social Security Fund in Kisumu Branch. Chapter one presents introduction of the study, the statement of the problem, the purpose of the study, the research objectives, and research questions, significance of the study, limitation and Delimitation of the study and definition of terms.

Chapter two describes literature review which helped the researcher to understand the existing body of knowledge and adopted theories that suit the study. It includes the Concept of Pension Schemes Fund, Government policy and access to pension schemes fund, pension awareness and access to pension schemes fund, Socio-economic factors and access to pension schemes fund, Product awareness and access to pension schemes fund, Access to pension schemes fund, The Theories used (The Theory of Constraints, Stakeholders Theory and Goal setting Theory), conceptual framework, knowledge gap and summary of the literature review.

Chapter three explored the research methodology. It includes research design, the target population, sample size and sampling procedures, data collection instruments, data collection procedure, validity and reliability of instruments, data analysis techniques, ethical considerations and operationalization of variables.

The last part of the research project was results and discussion of findings, conclusion and recommendations. This was organized as follows: Chapter four which demonstrates data analysis, presentation and interpretation based on the four objectives of the study. Lastly, chapter five formed summary of findings, conclusions and recommendations from the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is a continuous process that is based on the four objectives of the study. It cuts across all the stages of the research process in a dynamic way. It helps in identifying, locating and analyzing documents containing information related to the subject matter.

2.2 The Concept of Pension Schemes Fund

Kenya being a British colony has adopted so much from the British system of saving. Among many includes the formation of the National Social Security Fund (NSSF), which is similar to the state pensions of the United Kingdom (UK). In addition, the setting up of occupational pension funds in Kenya is borrowed from the UK (Mghali, 2003). Ginneken (1998) refers to social security as benefits that the society provides to individuals and households through public and collective measures to guarantee them a minimum standard of living and to protect them against low or declining living standards arising out of a number of basic risks and needs. Whereas pension benefits are only paid to an individual or his family on the basis of that person's employment record and prior contributions to the system, social security schemes incorporate welfare, of which financial assistance is extended by the state to persons who qualify on the basis of need. Social security is thus a social insurance program. For our case in Kenya we have NSSF.

The NSSF Act 2013 being one of the biggest impasses to Kenyans has elicited a lot of industry reactions from all corners. The Act proposes a raft of measures that aims at enhancing the old age financial security in Kenya. The new NSSF Act has established two new funds: a pension fund and a new provident fund. All employers with one or more employees are obliged to register with the new pension fund. Membership in the pension fund is mandatory for all employed persons between the ages of 18 and 60. Members of the old provident fund will be automatically enrolled in the pension fund. Membership in the new provident fund is now voluntary for employees covered by the pension fund. The purpose of this research is to evaluate the impact of reforms on both

private and the social security system in Kenya. The specific objectives are to: 1. To identify the main reforms put in place for the Kenyan pension industry with a critical look on the NSSF Act 2013. 2. To identify the possible impacts of these identified reforms. 3. To identify the challenges towards implementation of these reforms.

2.3 Government Policy and Pension Schemes Fund

A new Retirement Benefits Act was enacted in 1997 and a comprehensive framework of regulations was implemented three years later in 2000. A regulatory authority, the Retirement Benefits Authority ('the RBA') was established at the same time to regulate, supervise and promote the retirement benefits sector in Kenya. Reform of the National Social Security Fund ('the NSSF'), the mandatory scheme for all formal sector employees in Kenya (other than public service employees) has also been firmly on the national agenda with wide debate on the nature and extent of role the NSSF should play as part of the pension and social protection system in Kenya. Pension fund performance is strongly correlated with governance indicators such as cheaper operating costs and the timely payout of benefits (Steele 2006). Eijffinger & Shi (2007) attributed the pension crisis in the European Union to regulatory failure. They therefore suggested that pension laws be created in licensing, governance, asset restrictions, financial information disclosures and guarantees. The general view is therefore that pension funds need regulations to ensure they deliver on their pension benefit promises (Blome *at al*, 2007; Odundo 2008).

According to Nzuve (2010) the government can intervene with a policy to obligate employers to provide certain benefits to employees. The government can for instance use the national assembly to legislate laws that enforce payment of the benefits. The law will make it mandatory for employers to pay certain benefits to the employee. Some types of employee benefits in Kenya are mandatory as they are required by law while others are optional. The legally required benefits include for instance various forms of insurance covers for employees. Through various Acts of Parliament and legislations, the government of Kenya has made it mandatory for employees to be offered certain benefits. The National Social Security Fund (NSSF) Act Cap 258 in Kenya obligates employers to enroll employees into the social savings plan offered by NSSF whereby the employer

matches the employee deduction. The deducted amount is saved with NSSF and paid to employees upon retirement thereby creating a social safety net for the workers. Moreover, the National Hospital Insurance Fund (NHIF) Act Cap 255 (1998) obligates both public and private sector employees to obtain NHIF medical insurance cover. The employer is mandated to deduct the monthly premium for the employee and remit to NHIF.

Statutory contributions to the NSSF are set at 10% of an employee's pay, half of which is paid by the employer and half by the employee. There is a monetary ceiling on the maximum combined contribution to the NSSF of currently K Shs 400 per month (or at only 1.3% of average monthly formal sector earnings in Kenya of K Shs 31, 3579). There have been only two adjustments to the statutory ceiling on contributions since the inception of the NSSF (i.e. an increase from K Shs 80 to K Shs 160 in 1977 and from K Shs 160 to 400 in 2001). The Retirement Benefits Act includes a provision for employers with the consent of their employees to opt out of making statutory contributions to the NSSF and make contributions to another approved scheme. This clause in the Act has not been activated and no other scheme to date has been approved to receive statutory contributions.

Borbon *et al*, (1999), noted the importance of adequate regulation in improving governance of pension Schemes. He contends that for private arrangements, (be it individual or enterprises), regulation is important to increase transparency and protect beneficiaries. Private pension arrangements as they have emerged in some countries often failed to provide accurate information regarding costs, returns and balances, making it difficult for beneficiaries to compare among providers. Insurance companies as part of their life business often provide private pension arrangements. However, insurance regulators do not have the expertise to monitor private pension providers. A key problem in Sub Saharans Africa has been government interference in management of pension funds. This interference has been encouraged by institutional designs that give government control, governing boards and the social security administration (Borbone *et al*, 1999). An increasing number of African countries have recently initiated reform of their pension and social protection systems. Over the last decade, Kenya has also

undertaken a major reform of parts of its pension system. Whereas the primary motivation for reform of pension systems in many countries worldwide has been to address the growing fiscal burden of pension liabilities, in Kenya the major driver for reform was to strengthen the governance, management and effectiveness of the existing pensions system.

A decade into the reform is a good time to take stock and assess the reform initiatives and the results achieved. Some of the positive effects of the legislation have started to be seen and thinking is now shifting to policy issues and the challenges of increasing coverage benefit adequacy and the growth of retirement savings. Indeed over the past three years in Kenya, there has been consensus on the need for further reform of the system. The achievements of the past decade, particularly with respect of voluntary employer sponsored occupational schemes, provides a good basis on which to implement further reforms to increase coverage and reduce post-retirement poverty levels. Kenya has thriving private occupational schemes, operating in parallel to the NSSF. Since Kenya's NSSF only takes a maximum of Sh. 320 per employee, employers can still afford to contribute money to the private occupational pension schemes on behalf of their employees.

However, Kenya's pension system is fragmented and covers only 15% (approximately 3 million Kenyans) of the labour force and more than 80 % of the informal sector – “Jua Kali” is not covered and there is low replacement rates (20%) – People not saving enough to increase income replacement ratios at retirement as reported by Rose Kwena - Head, Corporate Communications RBA. The major reason why many developing countries fail to optimize pension fund efficiency is the existence of many laws to which pension funds are obliged to subscribe (World Bank, 2005). The multiplicity of fragmented laws increases compliance costs and reduces the pension benefits (Asher & Nandy 2006).

In addition, the Kenyan enactment of the Retirement Benefits Act in 1997 has not in any significant way impacted on the widening coverage of the pension system. The problem of low coverage is attributable to lack of an effective policy aimed at widening of coverage and the current legal framework was designed to target participation of formal

workers, Nyakundi B. D., (2009). The groups of the population are largely excluded from this form of pension system since NSSF as regulated and supervised by RBA only covers employers with 1 or more employees. It only accounts for 28 percent of the total industry assets as compared to 70 per cent of industry assets by the private occupational schemes. The system besides covering a very small population of the formal sector, has not addressed the critical question of benefits adequacy. In some cases employers default in remittance of contributions of the pension system a fact which becomes apparent when payment of benefits is due. Of course, lack of compliance is a reflection of poor enforcement of the law.

Many countries around the world are partly pre-funding their otherwise Pay-As-You Go (PAYG) financial social security systems by establishing or further developing existing public pension reserve funds (PPRFs). This trend is parallel to the growing shifts towards fully-funded, privately managed pension systems, which has in turn heightened the role of pension of pension funds in retirement income arrangements. Though benefits of pre-funding have been found in other regions, which the preconditions exist to allow such rewards to be enjoyed in many African countries may be debated. However, Stewart & Yermo (2008), argue that pre-funding pensions, whether it is via the establishment of public pensions reserve funds or the development of fully-funded, and private pension systems can help Governments respond more effectively to the fiscal pressures that will result from ageing populations. Leinert and Esche (2000) pointed that a large share of pre-funding could potentially lead to increased economic growth. The burden of an ageing population would then be eased by increase in future GDP. Moreover, such growth that the advance funding of pensions generates additional net national savings and these new savings must lead to more investment.

In general, pre-funding via pension funds is preferable to reserve funds as the former guarantee ownership or beneficial rights to pension plan members and is normally subject to a comprehensive regulatory and supervisory framework. Moreover, the financial advantages of pre-funding generally apply whether this take place via pension funds or reserve funds. A preference for reserve funds may arise if there are cost or/and investment performance advantages over privately managed funds, something which is

unlikely to happen in countries with poor public sector governance. The governance of public pension reserve funds can be strengthened in such countries if they are given complete investment management autonomy and quasi-private status, as Government in Australia, Canada and New Zealand which have done with their public reserve funds.

2.4 Pension Awareness and Pension Schemes Fund

The Consumer International survey (2011) reported very low levels of preparedness for retirement in Kenya and Tanzania. In Kenya, over 80% of all respondents did not have a sound retirement plan while in Tanzania close to 60% of the respondents reported having no retirement plan at all. In Kenya retired public servants including teachers and civil servants live in poverty just months after their retirement despite receiving their retirement benefits as provided for under the Pension Act. Pension schemes the world over operate under the basic principles that seek to ensure growth of pension assets to provide an adequate replacement rate for life in retirement without compromising the security of pension investments (Barrow, 2008). Regardless of the particular form of a pension scheme, investment decisions need to be taken, taking into account the retirement benefits that are guaranteed or targeted.

A Survey done by RBA in March, 2009 to ascertain the level of awareness on the importance of saving for retirement among Kenyans established that the top most important items in any given month are: rent, food, household bills, transport, church offering, clothing, entertainment and saving in that order. Saving is not considered a priority and can be done without. The survey further found out that most employees instead of saving money for retirement; they give priority to acquiring assets in the belief that they will use these to generate income after formal employment. However, they end up disposing-off these assets before they retire or soon after retirement thus solely relying on the monthly pension provided by the employer. Many retirees could end up in abject poverty in their old age because of a poor saving culture. Some financial experts have described the saving habits of Kenyans as peculiar, noting that while most people are aware that they should be putting aside a certain percentage of their monthly income against their retirement among other investment options, very few actually do so due to lack of discipline.

There is strong need for management to communicate to employees the policy and procedure on benefits, the benefits available and the criteria for eligibility. Effective communication is the process by which information is exchanged and understood by two or more people usually with intent to motivate or influence behavior, Holloway (1997). Communication ensures transparency and accountability in implementing employee benefits program. The employees and their representatives need to understand the benefits package in its totality. Individual employees should be explained how the benefits have been determined and how they relate to their job performance. They ought to know the value of the benefits so they are aware of their total remuneration. In addition, employees need to be convinced that the system of benefits is fair and impartial. Proper and timely communication of employee benefits will enhance employee appreciation and increase their commitment to the organization.

Joo, S. & Grable (2002) found out that employer-sponsored financial education positively impacts a person and having a retirement savings program is significant. Few employers actually provide training at the workplace, but the evidence suggests that those that do provide education generally find the payoffs to be greater than the costs. The finding that employer-provided education influences a person's allocation of assets for retirement and/or saving for retirement has national implications as well. Braunstein & Welch, (2002) found out that Financial education can help employees devise an investment strategy that ensures their retirement security—first by recognizing the advantage of contributing to employer-sponsored savings plans and then by understanding their future needs, goals, and appetite for risk. General lack of financial awareness – Impacts negatively on the general saving culture of the Kenyan people.

The Retirement and Financial Literacy Education Program report (2012) indicate that the financial security employees and their family members have in the future depend, in part, on the knowledge they gather and make use of today. Acting now and taking the necessary steps toward planning for your future will help you reach your financial and retirement goals. Employees should take full advantage of attending the financial education workshops, handouts, fairs, etc., that are provided by their Human Resources (HR) office. Rooji et al (2009) stated that the challenge is to determine whether and how

financial education can be taught and, closely related, whether there is causal link between improving financial literacy and financial outcomes. The evidence so far has been mixed, with large heterogeneity in the estimated success of training programs. Language is a key barrier to pension subject not understood by ordinary people which definitely leads to low levels of pension awareness hence limited access to pension schemes fund. Therefore, joint Financial Education Campaign will: Instill confidence in the financial sector, inculcate a saving culture in Kenyans and get retirement planning integrated into overall financial planning and targeting the informal sector, Youth segments, Members, Trustees, Public, and Media through diverse ways of publicity. The RBA should mount serious joint campaigns to educate Kenyan workers on the need and benefits of saving for retirement and channels available for saving, illustrate to employers the benefits of starting retirement benefits schemes for their staff.

Clark *et al* (2010) observe that lack of financial education may cause workers to start saving too late in life to realize their stated retirement goals. As a result, they are unlikely to achieve an optimal balance between current consumption while working and future consumption in retirement due to negative attitude towards retirement, hence general lack of a saving culture among Kenyans – want access to savings. Salas M, (2014), in a research on strategies to improve retirement readiness established that it is important to consider the timing of the retirement education. The timing of retirement education is particularly important when encouraging employees to take action and those employers are in the ideal position to provide employees with this information. Regular reminders of the value of retirement planning and providing financial information to employees at teachable moments such as time of hire or when employees receive pay increase appear to be effective.

2.5 Socio-economic Factors and Pension Schemes Fund

Modern management theories and findings have made organizations realize that the human resource is central to all operations. For instance Alvin (2003), a human resource management scholar, said how well an organization attains, maintains and retains its human resources determines the success or failure and the success or failure of our organizations shapes the well-being of every person on the planet. The lesson from Alvin is that people are central and key to effective and efficient functioning of any organization. Subsequently, the organization can achieve its objectives and thereby, become profitable and successful and the customers can access the pension schemes fund benefits. This perception is further supported by Wickens, (2005) when he reported that people are key to success to organization. Thus, no matter how healthy the financial status of the organization, peoples' problems can bring the organization down very quickly.

Pension funds should provide proper risk management to ensure that the retirement income of their members is safeguarded (Davis, 2000). To do this, pension funds should have appropriate risk management policies that safeguard the replacement rate, investment safety and time-based risks such as inflation (Davis, 2000). According to Galer (2009), risk management by pension funds should link directly to portfolio objectives and should maintain a balance between assets and liabilities in the context of funding, immunization and the use of derivative securities. There is general agreement that proper risk management results in better financial results for pension funds as it focuses on a proactive approach to losses (Thompson, 2008; Brunner *et al.*, 2008; Odundo, 2008).

One of the key results is that many pension systems are now in the process of becoming asset backed. This transformation of pension funds implies that retirement incomes are now closely linked to the performance of these assets, resulting in participants being exposed to the uncertainties of investment markets to determine the level of benefits that they will ultimately receive. It is evident from the financial meltdown of 2008 that there are potential consequences of this type of transformation (Hinz, *et al.*, 2010). Pension fund governance has direct implications for pension efficiency as it influences the

administrative efficiency and investment strategies of pension fund use (OECD, 2009; Carmichael & Palacios 2003; Hustead, 2008). Pension fund performance is strongly correlated with governance indicators such as cheaper operating costs and the timely payout of benefits (Steele, 2006).

The age of employees determines the pension promises that their employers will make to them since younger employees have a longer time horizon to invest compared with the older employees (Friedberg & Webb, 2004; Lusardi & Mitchell, 2007), which in turn influences the type of pension fund design on which to anchor the pension fund. Studies point to a negative relationship between the age of members and pension fund efficiency and found that the age of the members influences the investment strategy to adopt (Charles *at al.* 2006). Whereas pension funds with younger members will be robust in their investments, while those with older members will tend to be conservative, thus limiting their returns on investments (Charles *et al.* 2006). It is therefore hypothesized that: The age of members exerts an influence on the financial access to pension scheme fund.

Nelson (2006) stressed the importance of employee mobility and how it may impact the access and viability of pension schemes fund. He reported that employee mobility from one form of employment to another may impact negatively to the viability of pension scheme. Some employers may not allow an employee to channel contributions to another scheme's administrator and what this entails that the contributions have to be paid out instead of being invested further. Thus, employee mobility in terms of job change has a significant relationship to access and desirable investments of the pension schemes fund especially if there is an avalanche of withdrawals within a short period of time.

A study was also carried out by Tonks (2005) on pension fund management and investment performance. The study established that the value of the pension fund will increase over time due to contributions and the investment returns on the fund. These investment returns depend on the asset allocation and portfolio decisions of fund managers. Small changes in the investment returns, increase to large changes in the value of the pension fund at retirement. The evidence on fund manager performance is that on

average they do not add very much value over and above a passive strategy of investing in the market index. However this average disguises the fact that some fund managers perform well, and others perform poorly. In relation to challenges of the labour markets, Kazmi (2003) indicated that the recent tendency by employers to shift and engage employees from permanent and pensionable jobs towards contractual arrangements have posed a serious challenge on the viability of pension schemes. This is because permanent and pensionable staff would contribute for a long time towards the pension as opposed to contractual staff whose contractual jobs may be terminated at any time and contributions may end at any time.

Density of contributions is also an important factor that has affected the pension benefits in countries with large informal sectors. Individuals with a low density of contributions are likely to face low accumulated assets at retirement age, and therefore are likely to have low retirement incomes. The retirement age is also an important factor that affects the performance of pension funds. Because the accumulation period is shorter in countries that allow individuals to retire earlier, individuals are likely to receive lower retirement income. As a consequence, governments in some countries have been raising the official retirement age or have introduced incentives to delay retirement. The capacity of funded individual account systems to deliver retirement income will be further challenged in this respect as life expectancy continues to increase in virtually all countries (Bodie *et al.*, 2009).

Pension schemes in most African nations; suffer from a series of significant weaknesses reflecting deficiencies in their design, financing and administration. Macroeconomic fluctuations, political interference and the instability of the financial sector negatively affect pension fund management. There is evidence of declining revenue from contributions due to unemployment and insolvency in the private sector as well as retrenchments and budgetary constraints in the public sector. The real value of reserves is eroded through high inflation rates and the channeling of resources into politically motivated low-yield investments and loans. It has become evident that the social security system is not able to provide adequate levels of income at old age. The reform of unsustainable pay-as-you-go (PAYG) pension systems can help reduce the fiscal burden

that such schemes place on the population, and indeed avoid burdening future generations. Such concerns are greatest in countries with high levels of labour market informality, as is the case in developing countries in Africa and elsewhere (Stewart & Yermo, 2009). As a result most African nations have decided to reform their public pension system to private pension system. This move may not only provide income at old age but it may develop the capital markets, reduce government pension debt, and encourage financial investment and economic growth.

Additionally, financial theory postulates that for an economy to experience macroeconomic stability it must invest in its economy. While this is beneficial to the economy, Welfare Economists argues that investing pension contributions in financial markets exposes the pensioner to risks (Lange, 2010). The risks can occur when there is poor investment, and poor performance of the financial market. When a loss occurs, fund managers transfer the risks to pensioners who in return receive less than expected and sometimes nothing at all. This thesis aims at analyzing the sustainability of the pension reform by examining the advantages and disadvantages of the reform.

Meanwhile, Goudswaard (2013) established that the current pension system has reached its boundaries and cannot hold in the future. The current pension system suffers from the economic crisis and reduced support of society, and expects reduced retirement benefits with higher risks. Toussaint (2011b) confirms this by stating that the present working generation is expected to receive less than the current generation of retirees. So, it is likely that pension provisions will decline for future generations. This can lead to liquidity problems for retirees.

2.6 Product Innovation and Pension Schemes Fund

The need for innovative retirement products is a primary concern with the current ageing populations prevalent in many developed countries. Social security systems that have been widely established globally vary greatly in their design characteristics. Modern social security systems in industrialized market countries have evolved over a long period of time. Social welfare was provided mainly by the family, church authorities and local communities before the state-sponsored social insurance schemes that emerged largely in

the 19th century as a consequence of European urbanization and industrialization in developed countries. The state assumed a residual responsibility in most of the countries for the relief of the deserving poor (orphans, the disabled and widows). The current social security systems in these countries are a result of interactions between economic, political and social forces (ILO, 2012). The social security systems in communist countries were closer to the social democratic typology. The schemes were financed through state and enterprise revenues.

A significant minority of the working population in many of the transitional countries fall outside the social security framework because of the restricted entitlement to unemployment, sickness and pension benefits and the expanding informal sector economy. These countries also have relatively low per capita incomes in spite of a high proportion of their labour force being wage employees. Developing countries have extremely diverse social security systems, which reflect the differences in the underlying economic, social and political conditions. Despite the fact that many developing countries have attempted to cover the main social security needs of their people through some broad-based growth, institutional reform and purposeful use of resources, a large proportion of the population remains unprotected and lack access to social security (ILO, 2012). Social security systems in most developing countries adopted from industrial countries target a small minority of the population. Most developing countries face a problem of political marginalization of the destitute and a lack of administrative and technical capacity on the part of the government to formulate strategies and programmes, and to coordinate and monitor the implementation of social security systems (ILO, 2012; ILO, 2014).

There are many products available in the accumulation phase to help individuals diversify their saving through target date and balanced funds (Gomes *et al.*, 2008). There are also lifestyle investment options for individuals to accumulate wealth to meet their lifestyle needs and wealth goals. In the post-retirement phase however, products are not as developed as those in the accumulation phase. There are distribution products such as income annuities, which pay retirees regular income for a fixed period or for life for an initial premium paid to the insurance company. This income may be fixed, indexed for

inflation, or variable based on returns of an underlying asset and may have options such as deferred income and capital preservation.

The existence of annuities dates back to the Middle Ages and detailed records exist for annuity pools in France as early as the 17th Century (Poterba, 1997). Annuities became very popular after the Great Depression of the 1930s which followed the stock market crash of 1929. People purchased financial products from life insurance companies because they were deemed more stable than holding shares on the financial markets. Since then annuities have expanded to many parts of the world over the years. Some insurance companies have life insurance products with withdrawal features available to retirees. There are also a number of investment products that allow individuals to invest in a variety of mutual funds mainly focused on decumulation. These funds centre on the creation of investment products that can create a stream of income to fund retirement (Hawkins, 2010). The option of lump sum at retirement still remains the predominant choice for retirees and retirement products see less patronage in many developing countries.

It is widely considered that asset allocation is an important driver of portfolio investment returns over the long horizon. For instance, the DC plan lasts over long horizons, typically the entire working life of an individual. This makes asset allocation an important aspect of such a plan and a significant determinant of returns and final wealth. This represents a substantially long distribution horizon and planning in retirement as well as asset allocation in this phase of life is increasingly important. Cooley *et al.*, (2001) propose that at least 50% of a retirement portfolio should be invested in stocks and their findings show increased sustainability of the pension fund as it tilts more towards equities. They show that the presence of bonds is mainly to restrain portfolio volatility and provide liquidity to cover an investor's living expenses. Bengen (2004) advises that if the future market follows the trends of behaviour in the past, then a retirement portfolio should contain 50-75% equity allocation.

In the last two decades, allocation to bonds in the seven largest pension markets have decreased by 12% (40% to 28%), with cash allocations reducing from 6% to 1% in the

same period. Equity investments on the other hand have increased by 3% to 52% of total pension allocations, with the remaining 18% allocated to alternative assets which include real estate, private equity, hedge funds and commodities (Towers Watson, 2014). Are these changes moving in the right directions? The conventional rule Chapter 19 of thumb to pension investment states that the investors should allocate a percentage of 100 minus their current age in risky assets (such as stocks) and the remainder in low risk assets such as bonds and cash. The lifecycle strategy is probably the most popularly used default investment plan and in developing countries, lifecycle funds are increasing rapidly (QSuper, 2014). The strategy invests massively in stock at the onset when the investor is still young, because the younger investor is able to assume more risk than the older investor, according to Utkus (2005), who also believes that there is always time to regain losses if stocks should decline in the early years of investment. This investment is gradually switched to low risk assets as the individual nears retirement and the asset mix changes. Since the allocation to stocks (risky assets) and bonds and cash (non-risky assets) is unidirectional, investment in stocks reduces as that in bonds and cash increases. This has been firmly supported by works such as Malkiel (1999) who asserts that the plan participants should consider cutting back on riskier assets and increase investment in bonds and cash as they grow older.

Some studies show that pension sustainability is immensely improved with high levels of equity in accumulation, there is growing interest in what allocations are optimal in the retirement phase (Arnott *et al.*, 2013; Estrada, 2012). Investment strategies in the decumulation phase are fairly new to the retirement literature and leave a lot of room for exploration. Fundamental decisions such as holding a strategic static asset allocation (SAA) as opposed to a decreasing risky asset investment in the decumulation phase are still left unanswered. Based on historical returns, are retirees better off with the default lifecycle style of investing or exploring alternative methods? Some of these alternative methods such as increasing risky assets with age have been found to provide higher wealth levels and better downside performance in the accumulation phase. Do these alternative methods improve retirement wealth outcomes in the decumulation phase when

retirees face the stress of regular income withdrawals and the imminent shocks to expected government pensions?

Data from Retirement Benefits Authority (RBA) shows that Pinebridge Investment was managing Sh156 billion at the end of last year compared to NSSF's Sh136 billion. The mandatory workers' pension fund has been the dominant player in the sector as it collects statutory fees from all employees in the country but has performed poorly in growing the assets due to low contributions, corruption and misappropriation of funds. Last year, NSSF grew its portfolio by Sh15 billion compared to Pine bridge's Sh40 billion. The investment policy of the two are different with NSSF heavy on equities at 38 per cent and real estate, 31 per cent, while Pinebridge has invested heavily on government securities, 42 per cent, 32.4 per cent equities with real estate at 8.3 per cent.

Employers and employees alike have long appreciated the role that retirement plans play as part of a competitive compensation package. Almeida and Boivie, (2009) noted that employees value retirement plans because they provide a more cost-effective, streamlined way to build retirement wealth while employers care about employees' retirement security prospects because of the fact that retirement plans, can be structured in a way as to create incentives that enhance their human resources objectives of recruitment, retention and enhancing productivity of employees. Freidberg and Owyang (2005) in particular determined that DB pensions can be highly effective recruitment and retention tools for employers. According to Almeida & Weller (2009) the recruitment value of DB pensions lies in their intrinsic insurance functions as individuals are generally not particularly fond of risk and prefer ways to reduce that risk, especially when it comes to something as substantial as retirement savings.

The size of the benefit represents one of the defining design decisions for a social pension program. The task must balance often competing objectives in terms of adequacy, acceptability, and affordability. NSSF is a public provident fund (pays benefits as a lump sum) that covers an estimate of 800 000 members in both the formal and informal sectors and contributions to NSSF are mandatory for employees in firms with 5 or more employees, whereby members contribute 5% of their monthly earnings subject to a

maximum of Ksh. 200 that is matched by an equal contribution by the employer; however RBA allows the employees to contribute more on voluntary basis to a maximum of Ksh. 1,000 per month and that the old-age. Retirement Benefit Scheme benefits are available to those aged 55 who have retired from active employment (Stewart & Yermo, 2009). Too low a benefit yields a negligible impact on income security and poverty reduction. Too large a benefit threatens the affordability constraint and can create distortions in targeted programs.

Affordability constraints create a trade-off between benefit size and coverage. Higher benefit sizes can limit the number of potential beneficiaries. Both real resource availability as well as political will influence affordability. The link between social protection and economic growth influences both of these factors: an expanding economy increases the potential resources for social protection, and the perception of a positive link increases political will for the program. A study of the social pension in Mongolia finds similar results (UNFPA & MOSWL, 2007). Social pensions are on average smaller than contributory pensions but still have a significant impact on the lives of the recipients. Although the amount of money they receive as social pension is small, it contributes to their living expenses and the elderly feel that the government cares about them. The social pension is instrumental in preventing older people and their families from falling into extreme poverty. In a survey of beneficiaries in Mongolia, 80% of respondents attributed a significant impact of the social pension on their attitudes and mindset for survival.

Adequacy refers to how much should be paid for the social pension to be effective. The transfer amount must be sufficient to meet the program objectives. Providing a transfer that is too small will compromise the social protection outcome of the program, particularly since a relatively small benefit may be too little to outweigh the private costs to the beneficiaries in receiving the grant or to change outcomes that are less elastic to small changes in income. Employees thus value the offer of some social insurance protections from their employers in the form of DB pensions. Ippolito (1997), for instance, found that employees valued pensions so highly that they would willingly forego higher wages for guaranteed retirement income.

Employers have the option of voluntarily contributing more than the statutory figure to NSSF, but financial scandals that have dogged it, especially in management of its real estate projects have seen many of them give it a wide berth. NSSF administrative expenses, especially wages have been the largest consumers of workers' contribution leaving it with little to invest. As at last year the administrative costs took up an estimated 45 per cent of its collections. Uprety (2010) found that older people with higher incomes reported using the social pension to employ agricultural and domestic labor, support their own income-generating activities, or support the incomes of older people. About 99% of women and 96% of men indicate the social pension has had an immediate impact on their lives, and nearly 90% of men and women state that they cannot meet their basic needs without the social pension.

2.7 Access to Pension Schemes Fund

Going by the 1999 statistics, only fifteen percent of the world is 6.6 billion people, Kenya included, have access to any form of formal system of retirement income support. (Holzmann *et al.*, 2000). This is exacerbated by the rapidly degenerating traditional social fabric safety net for old age, where children took care of the old, fueled by changes in social behaviour brought about by rural to urban migration, modernization and civilization. Further, government willingness to fund social security obligations, that continue to rise relative to revenues, is declining. As a result, parametric measures such as increasing retirement ages, and conversion of government only sponsored schemes to contributory schemes are being implemented to delegate the social security burden back to the citizens. All these put together and in the absence of any intervention, it is eminent that the majority of the world's population is significantly exposed to the risk of old age poverty.

2.8 Theoretical Framework

The current study was anchored on the Theory of constraints, Stakeholder's Theory and Goal setting theory. The theories are applicable in determining influence of access to pension schemes fund. The factors influencing access to pension's schemes may be hindered or accelerated by constraints either from the management or stakeholders in goals setting of NSSF which have a pervasive influence on employee behavior and performance in organizations and management practice. The NSSF sets goals by the management but may be delayed by constraints during performance of the organization.

2.8.1 The Theory of Constraints

The theory of constraints is a systems-management philosophy developed by Eliyahu Goldratt in the early 1980s. The fundamental thesis of theory of constraints is that constraints establish the limits of performance for any system. Most organizations contain only a few core constraints. The theory advocates suggest that managers should focus on effectively managing the capacity and capability of these constraints if they are to improve the performance of their organization. Once considered simply a production-scheduling technique, Theory of Constraints has broad applications in diverse organizational settings (IMA, 1999).

TOC challenges managers to rethink some of their fundamental assumptions about how to achieve the goals of their organizations, about what they consider productive actions, and about the real purpose of cost management. Emphasizing the need to maximize the throughput revenues earned through sales TOC focuses on understanding and managing the constraints that stand between an organization and the attainment of its goals. Once the constraints are identified, TOC subordinates all the non-constraining resources of the organization to the needs of its core constraints. The result is optimization of the total system of resources (IMA, 1999). Borrowing from this theory, the study investigated the factors influencing access to pension schemes fund in NSSF in Kisumu branch, Kenya.

2.8.2 The Stakeholder Theory

Stakeholders are groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by corporate actions. They include shareholders, creditors, employees, customers, suppliers, and the community at large. The main proposition of the stakeholder theory is that corporate organizations have the responsibility to ensure that their actions meet the expectations of all the stakeholders. Management should not only consider its shareholders in the decision making process, but also anyone who is affected by business decisions. In contrast to the classical view, the stakeholder view holds that the goal of any company is or should be the flourishing of the company and all its principal stakeholders (Freeman *et al.*, 2004).

This theory is applicable in viewing NSSF as a government institution manages itself to increase access of pensions to its members. Therefore, the study was anchored on how socio economic factors influence access to pension schemes fund in National Social Security Fund in Kisumu Branch.

2.8.3 The Goal Setting Theory

Locke and Latham (2002) provide a well-developed goal-setting theory of motivation. The theory emphasizes the important relationship between goals and performance. Research supports predictions that the most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. The motivational impact of goals may be affected by moderators such as ability and self-efficacy. Deadlines improve the effectiveness of goals. A learning goal orientation leads to higher performance than a performance goal orientation, and group goal-setting is as important as individual goal setting. Goals have a pervasive influence on employee behavior and performance in organizations and management practice (Locke & Latham, 2002). Nearly every modern organization has some form of goal setting in operation. Programs such as management by objectives (MBO), high-performance work practices (HPWPs), management information systems (MIS), benchmarking, stretch targets, as well as systems thinking and strategic planning, include the development of specific goals.

Therefore, goal setting, may explain how and why behavior is facilitated or restrained in the pre-training, training, and post training processes. Goal-setting theory holds that, once a hard task is accepted, the only logical thing to do is to try until the goal is achieved or until a decision is reached to lower or abandon the goal.

Under the right conditions, goal setting can be a powerful technique for motivating organization members. The following are practical suggestions for managers to consider when attempting to use goal-setting to enhance motivation and performance (DuBrin, 2012; Greenberg, 2011; Newstrom, 2011). Implications for practice is that Goals Need to be Specific, Goals must be difficult but attainable, Goals must be accepted, Feedback must be provided on goal attainment, Goals are more effective when they are used to evaluate performance and Deadlines improve the effectiveness of Goals.

2.9 Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. Reiche & Ramey (1991) define a conceptual framework as “a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation”. Therefore, the researcher developed conceptual model that served as roadmap of the major concepts associated with access to pension’s schemes fund and their interrelationships. The synergy below shows: relationship between independent, moderating, and dependent variable. All these factors have to be addressed in order to ensure effective access to pension schemes fund in NSSF in Kisumu branch.

Although independent variables have a direct influence on access to pension schemes fund in NSSF, however, there are moderating variables which indirectly affect the set parameters of standards and time frame hence impacting on access to pension schemes fund in NSSF. For instance, moderating variables such as laws made by the parliament may impact either positively or negatively. The indicators are shown by the main variables under the study to ensure that they are measurable as shown in figure 2.1.

Conceptual Framework

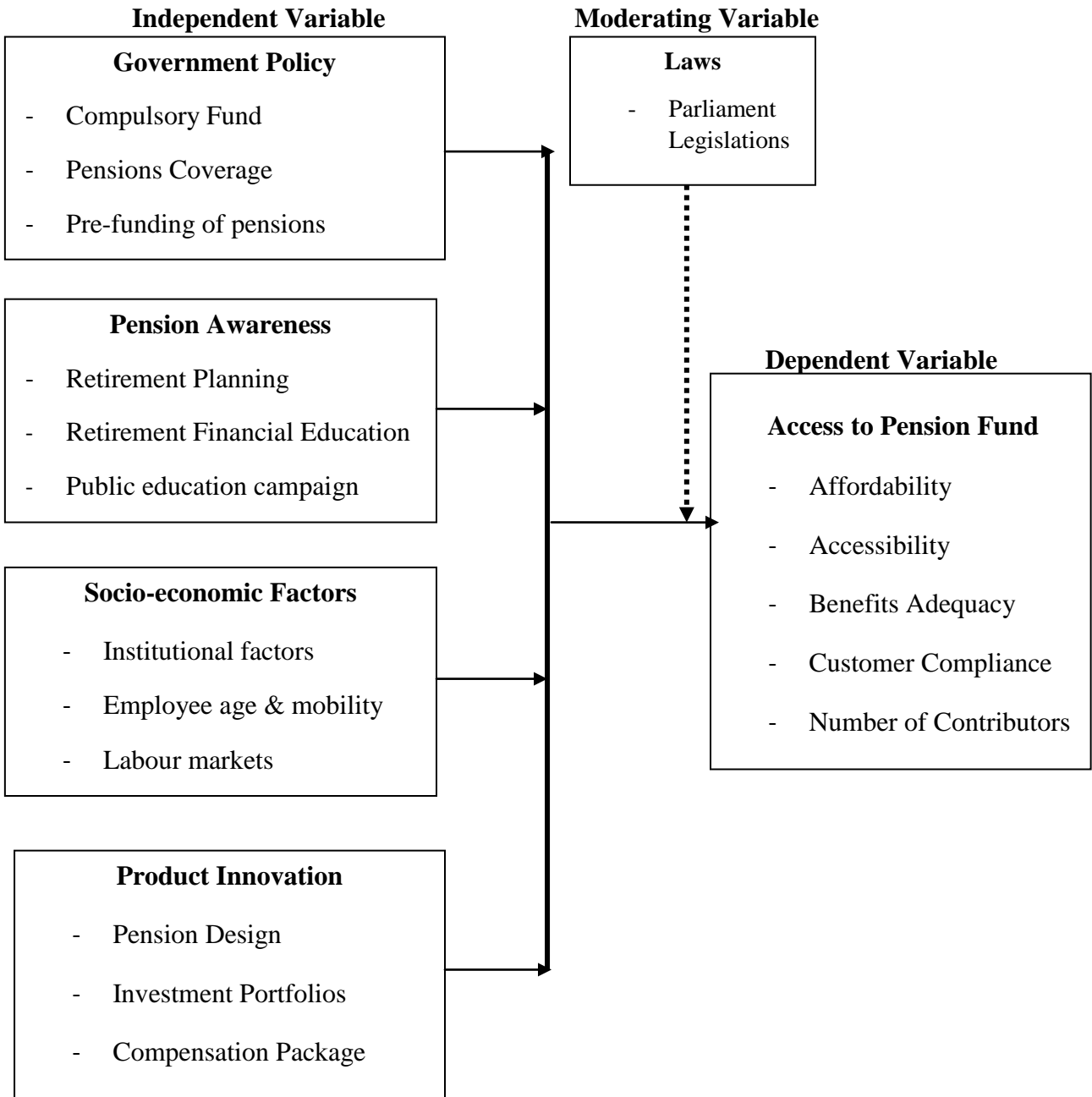


Figure 2.1 Conceptual Framework

2.10 Knowledge Gaps

Although corporate governance has attracted much attention in the recent past, focus has not shifted to pension fund governance and the credibility of the pension systems as important determinants of pension funds (Besley & Prat 2003; Carmichael & Palacios 2003; Ambatchsheer 2001). Furthermore, different authors (Asebedo & Grable 2004; Markese, 2000; Stanko, 2002) relate the investment strategy to the mix that an investor makes in the investment portfolio. A research gap has been identified as the empirical literature have discussed the pension schemes in relation to performance, corporate governance, Employment-related factors, financial efficiency but little or no literature relate factors influencing to access to pension schemes fund.

Pension funds are the principal sources of retirement income for millions of people in the world (Sze, 2008). They are also important contributors to the GDPs of countries and a significant source of capital in financial markets (Omondi, 2008). A global pension crisis has however emerged in the past two years owing to depressed financial markets. This has eroded funds to cater for the retirement income of the ageing populations (OECD, 2008). It is therefore important that pension funds be managed effectively. The present study investigates the critical factors influencing access to pension schemes fund.

2.11 Summary of the Literature Review

Studies on the performance of pension funds either use financial ratio analysis (Dulebohn 1995) or compare the pension fund returns with the market indices (Stanko, 2002; Bikker & Dreu, 2009). The use of Data Envelopment Analysis (DEA) has been documented as a more superior technique for the analysis of efficiency (Cinca, *et al*, 2002; Barros & Garcia, 2006) since it permits the ranking of the institutions being evaluated and generates scores for inefficiencies. Very few studies have used DEA to measure pension fund efficiency. The present study seeks to quantify the efficiency of pension funds using DEA analysis.

There is strong need to communicate to existing and potential pension scheme contributors the policy and procedure on benefits, the benefits available and the criteria for eligibility. Awareness result from effective communication which is the process by

which information is exchanged and understood by two or more people usually with intent to motivate or influence behavior. The employees and their representatives need to understand the benefits package in its totality. Individuals need to be explained to how the benefits have been determined and how they can have access.

The success of pension scheme programs requires significant amount of financial, physical and human resources. The financial resources are a crucial factor that influences their successful implementation. The benefits cost money to implement and without adequate finances the programs will remain a pipe dream. Other factors like age structure, family size and culture also influence enrollment and subsequently the success of the programs.

Product innovation concerns the ability of the pension scheme service providers to come up with new products for existing markets or new products for new market niches. There could be a possibility of having tailored schemes to those who are yet to subscribe to pension scheme programs depending on how innovative the organizations are. Currently the pension categories are Civil Servants Scheme, Occupational Scheme and Individual Schemes. In the present study, pension funds are conceptualized as systems that transform financial inputs (asset values at the beginning of a financial year, contributions and payments for inputs) into gains or outputs (retirement benefits and asset values at the end of the financial year) for members. Pension fund governance has direct implications for pension access as it influences the administrative efficiency and investment strategies of pension fund use (OECD, 2009; Carmichael & Palacios 2003; Hustead, 2008). Pension fund performance is strongly correlated with governance indicators such as cheaper operating costs and the timely payout of benefits (Steele, 2006).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the design and the methodology of the research study. Research design includes some of the major decision in research methodology that the researcher made in conducting the study; some of the important decisions include sampling methods, data collection and data analysis plan. The methodology includes using logical methods in collecting of the data, research design, target population, sample size and sampling techniques, viability and reliability of the research instruments and data analysis.

3.2 Research Design

A research design is the plan of carrying out the study. The study incorporated a descriptive research design. Descriptive research design is a systematic, empirical inquiry into which the researcher does not have direct control of independent variables as their manifestation has already occurred or because they reflecting the state of happenings and qualify the obtained findings through the use of quantitative analysis (Mugenda & Mugenda 1999). The researcher preferred descriptive research design because the variables under study had already occurred and beyond her control.

3.3 Target Population

Population is the totality of elements studied in a research (Mugenda & Mugenda 1999). The target population was 111 that comprised of 35 staff from key branch departments namely registration and collection =18, benefits =8, customer care =6 and finance =3 and 76 customers at NSSF Kisumu Branch. Customer service statistics show that at least 76 customers visit Kisumu branch averagely per day.

3.4 Sample Size and Sampling Procedure

This section aimed at describing exhaustively the sample size and sampling procedures used to obtain a more realistic sample for the purpose of descriptive research.

3.4.1 Sample Size

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole, (Webster, 1985). In general, sample size depends on the nature of the analysis to be performed, the desired precision of the estimates one wishes to achieve, the kind and number of comparisons made, the number of variables that have to be examined simultaneously and how heterogeneous a universe is sampled. The study used a sample size of 111 respondents; 18 Registration and collection, 8 benefits, 6 customer care, 3 finance, and 76 customers This sample size was appropriate in data collection as the whole population was taken for the study. Table 3.1 shows sample sizes from target population.

Table 3.1 Sampling frame

Category	Target Population	Sample Size
Registration and Collection	18	18
Benefits	8	8
Customer Care	6	6
Finance	3	3
Customers	76	86
Total	111	111

3.4.2 Sampling Procedure

Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population, (Webster, 1985). A census was used to select 8 benefits, 6 customer care, 3 finance officers, 86 customers and 18 registrations. These sampling approaches gave an equal opportunity to the elements under study and minimized sampling errors and bias, Lapin, (1987).

3.5 Data Collection Instruments

The research employed questionnaires to collect data.

3.5.1 Questionnaire

The main technique applied by the study was the use of questionnaires which was issued to the respondents and given enough time to answer. Both Open ended and close-ended questions were used.

3.5.2 Pilot Testing

Piloting is trying out of research instruments on the respondents who will not be used in the main study. Groll (1986) noted that a pilot study is necessary because "a researcher embarking on classroom research for the first time finds it valuable to spend some time in the classroom using one or more established systems and looking at the kind of issues which arise in turning his/ her own research questions into a set of criteria and definition for use in the classroom." It was important for a pilot study to be carried out before any research is done as stated by Peter (1994). He states "even the most carefully constructed instrument cannot guarantee to obtain a hundred percent reliable data". Therefore it was necessary to pretest the instruments of the research on a small sample of respondents in a preparatory exercise to find out if there was any weakness so that it can be corrected. In this study, 20 respondents were used for piloting at NSSF- Bungoma branch.

3.5.3 Validity of the Research Instruments

Validity is the extent to which the instrument measures what it appears to measure according to the researcher's subjective assessment (Nachmias, 1992). Validity deals with the adequacy of the instruments for example, the researcher needs to have adequate questions in the written task in order to collect the required data for analysis that can be used to draw conclusion. Frenkel (1993) suggest that the individual who is supposed to render an intelligent judgment about the adequacy of the instruments should be given the instruments before the actual research is carried out. The instruments were amended according to the expert's comments and recommendations before being administered. In this study, the researcher sought help from the supervisors and lecturers in the school of education after judging the validity of the questionnaire.

3.5.4 Reliability of the Research Instruments

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda & Mugenda: 2003). According to Seliger and Shohamy (1989) reliability is the extent to which data collection procedures and research tools are consistent and accurate. In a research study, a reliability coefficient can be computed to indicate how reliable data are. Pearson Coefficient of Correlation was used and tested at ± 0.8 . The test gave a value which was greater than 0.8 at $r = 0.95$ and the questionnaires were deemed reliable in soliciting correct responses. This helped to establish the extent to which the contents of the questionnaire elicit the same responses every time the instruments was used, (Mugenda & Mugenda, 2003).

3.6 Data Collection Procedures

A letter of introduction from University of Nairobi was obtained and then questionnaires administered on a drop and pick basis. The questionnaires had clear instructions and respondents given adequate time after which the researcher came back for collection.

3.7 Data Analysis Techniques and Presentation

The gathered data was analysed through the use of quantitative techniques. The data was presented using frequency tables generated via Statistical Package for social sciences

(SPSS) and qualitative techniques which basically represented explanations to the numerical data. Quantitative analysis applied to closed ended questions by use of statistical measures such as frequency and percentages while qualitative analysis undertaken for open ended questions.

3.8 Ethical Considerations

The respondent's information was not passed to third party. The researcher strived to keep confidentiality of the information by safeguarding the respondents' names. During the research, it was important to maintain privacy as well as high levels of integrity in order to stick to core objective of collecting information. In case of a respondent desiring to be bribed before divulging information, the researcher explained the reason for research and remained incorruptible. Permission was obtained from the County Education Office before collecting data, respecting and valuing other people's culture, keeping time, respecting respondent's decision as well as using a method that was friendly to the respondents.

3.9 Operational Definition of Variables

Study Objective	Type of variable	Indicators	Source	Scale of measurement	Statistical Test	Significance Level
To establish how government policy influence access to pension schemes fund in National Social Security Fund in Kisumu Branch	Independent:	Compulsory schemes	NSSF-		Frequencies,	.05
		Government	Kisumu	Nominal	cross	
		Policy	Branch	Ordinal	tabulation	
	Dependent:	Affordability		Ordinal		
		Access to	NSSF-	Nominal		
		pension schemes	Kisumu			
		Benefits adequacy	Branch			
	Independent:	Customer compliance				
		Number of contributors				
To determine the extent to which pension awareness influence access to pension schemes fund in National Social Security Fund in Kisumu Branch	Independent:	Retirement planning		Ordinal	Frequencies,	.05
		Pension	NSSF-	Nominal	cross	
		Awareness	Kisumu		tabulation	
	Dependent:	Education	Branch			
		public education				
		campaign				
		Affordability		Ordinal		
	Independent:	Access to	NSSF-	Nominal		
		pension schemes	Kisumu			
		Benefits adequacy	Branch			
To assess how socio-economic factors influence access to pension schemes fund in National Social Security Fund in Kisumu Branch	Independent:	Customer compliance				.05
		Number of contributors				
	Independent:	Institutional factors	NSSF-	Nominal	Frequencies,	
		Socio-economic	Kisumu	Ordinal	cross	
		factors	Branch		tabulation	
	Dependent:	Dynamic labour markets				
		Affordability	NSSF-			
		Access to	Kisumu			
		pension schemes	Branch			
To establish the extent to which product innovation influence access to pension schemes fund in National Social Security Fund in Kisumu Branch	Independent:	Benefits Adequacy				.05
		Customer compliance				
		Number of contributors				
	Independent:	Scheme design	NSSF-		Frequencies,	
		Product	Kisumu	Nominal	cross	
		innovation	Branch	Ordinal	tabulation	
	Dependent:	Compensation packages				
		Affordability	NSSF-			
		Access to	Kisumu			
		pension schemes	Branch			
	Independent:	Benefits adequacy				
		Customer compliance				
		Number of Contributors				
	Dependent:					
	Independent:					
	Dependent:					

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter deals with data analysis, presentation and interpretation of the research findings. In the first section, descriptive statistics are used to provide background information of the respondents who participated in this study. The second section presents the analysis of the responses to the specific objectives of the study as provided by the respondents in the questionnaires

4.2 Questionnaire Return Rate

A total of 111 questionnaires dispatched to respondents in NSSF out of which 106 were duly filled and returned giving a response rate of 95.5 per cent. Table 4.1 shows the response return rate for the study.

Table 4.1 Questionnaire Return Rate of the Study

Category	Issued	Returned	Return Rate (%)
Registration & Collection	18	17	94.4
Benefits	8	8	100.0
Customer care	6	6	100.0
Finance	3	3	100.0
Customers	76	72	94.7
Total	111	106	95.5

From the Table 4.1, the percentage return rate was $(106/111) \times 100 = (95.5 \text{ per cent})$. According to Nachimias, C.F. (1992), 80 to 90 per cent return rate is ideal for a descriptive research study. This return rate was appropriate for data analysis and discussion for this study. It boosted the reliability of the results since the study sample size was set at a margin error (α) of 5 per cent that gave 95 per cent confidence level.

Although the results may be interpreted to indicate a very good response rate, a failure of 4.5 per cent to report may be explained by lack of knowledge on pension schemes fund.

4.3 Demographic data of the respondents

This section deals with demographic information of the respondents. The demographic information captured data on gender, age, level of income and employment status of the respondents.

4.3.1 Gender of the Respondents

The study sought to determine gender distribution of the respondents in order to establish its relationship with pension fund contribution and responses are stated in Table 4.2.

Table 4.2 Distribution of Respondents by Gender

Gender	Frequency	Percentage (%)
Male	60	56.6
Female	46	43.4
Total	106	100.0

As presented in Table 4.2, 60 (56.6%) of the respondents were male and 46 (43.4%) were female. The result shows that men were more involved in pension schemes retirement income support. The majority of the people covered are men, since men constitute most those employed in the formal sector. Many women in developing countries face perilous old age because they lack savings or any form of social security. The low proportion of women to men could imply that women are often in a disadvantaged position in the labour market. Their situation is determined by the division of labour, in which they undertake a very large share of unpaid caring work. Their role often prevents them from taking up or remaining in full-time employment. It affects the type of work they can undertake and the number of years they spend in employment covered by social security. It often has an adverse effect on their earnings, on their ability to pursue their training and

on their prospects for professional advancement. Even women who currently have no caring responsibilities may be affected, if employers assume that they will have in future.

4.3.2 Distribution of Respondents by Age

The study sought to determine age distribution of the respondents who takes part in pension schemes contribution in NSSF-Kisumu branch. The age could reveal the level of commitment and density of contributions accumulated at retirement age. Findings are shown in Table 4.3.

Table 4.3 Distribution of Respondents by Age

Age	Frequency	Percentage (%)
18-25 Yrs	3	2.8
26-35 Yrs	7	6.6
36-45 Yrs	16	15.1
46-55 Yrs	25	23.6
>56 Yrs	55	51.9
Total	106	100.0

Findings in Table 4.3 shows that 3 (2.8%) of the respondents ranged between 18-25 years, 7 (6.6%) ranged between 26-35 years, 16 (15.1%) ranged between 36-45 years, 25 (23.6%) between 46-55 years and 55 (51.9%) ranging over 56 years. Majority of the respondents who accessed pension fund was 55 (51.9%) ranged over 56 years. The lowest representation was between 18-25 years at 3 (2.8%). The mean age of the respondents from the study was 52 years. This clearly indicates that contribution in pension fund was largely represented by old population. This retirement age is also an important factor that affects the access to pension funds since density of contributions are likely to face low accumulated assets at retirement age over a short period of time, and therefore the pension owners are likely to have low retirement incomes.

In addition, small pension funds may perform least over the entire period under consideration hence lower returns that may demotivate pension owners. These findings are similar to those by Bodie *et al*, (2009) who asserted that the capacity of funded individual account systems to deliver retirement income will be further challenged in this respect as life expectancy continues to increase in virtually all countries. Most people are left out because of problems of scope, adequacy and inclusiveness. The age of employees also determines the investment strategy to adopt and therefore exerts a negative influence on the financial efficiency of pension funds.

4.3.3 Distribution of Respondents by Employment status

During the study, respondents were asked to state their main occupation. The categories used to capture information on main occupations were classified as employed, unemployed and self-employed. Table 4.4 shows the study findings.

Table 4.4 Distribution of Respondents by Employment status

Status	Frequency	Percentage (%)
Employed	88	83.0
Unemployed	5	4.7
Self employed	13	12.3
Total	106	100.0

From Table 4.4, results shows that 88 (83.0%) of the respondents were employed, 5 (4.7%) were unemployed, while 13 (12.3%) of the respondents were self-employed. It's evident that the informal sector (unemployed and self-employed) was highly underscored in pension scheme access. This results show how the Kenya's pension system is fragmented and general lack of a saving culture among Kenyans – want access to savings due to low levels of awareness on retirement benefits products. These results are in agreement to those reported by Rose Kwena - Head, Corporate Communications RBA, that Kenya's pension system covers only 15 per cent (approximately 5 million Kenyans) of the labour force and more than 80 per cent of the informal sector – “Jua Kali” is not

covered and there is low replacement rates (20 per cent) – People not saving enough to increase income replacement ratios at retirement.

4.3.4 Distribution of Respondents by Income Level

The study sought to determine the level of incomes possessed by the respondents and its inclination on access to pension schemes fund. Findings are demonstrated in Table 4.5.

Table 4.5 Distribution of Respondents by Income Level

Income (Ksh)	Frequency	Percentage (%)
<25000	34	32.1
25001-50000	42	39.6
50001-100000	20	18.9
>100001	10	9.4
Total	106	100.0

From Table 4.5, it's evident that 34 (32.1%) of the respondents had incomes below Ksh. 25000, 42 (39.6%) had incomes between Ksh. 25000-50000, 20 (18.9%) had incomes between Ksh. 50001-100000 while 10 (9.4%) of the NSSF members had incomes over Ksh. 100001.

4.3.5 Distribution of Respondents by education level

Meaningful participation in pension fund contribution largely depends on the educational status of people. The study sought to establish how level of education influence access to pension scheme fund. Table 4.6 shows the study findings.

Table 4.6 Distribution of Respondents by education level

Education level	Frequency	Percentage (%)
O-Level	12	11.3
Diploma	50	47.2
Degree	38	35.8
Masters/PhD	6	5.7
Total	106	100.0

As shown in Table 4.6, majority of the respondents 50 (47.2%) were diploma holders while 38 (35.8%) were degree holders. Another 12 (11.3%) and 6 (5.7%) were O-Level and Masters/PhD holders respectively.

4.4 Government policy and access to pension schemes fund in National Social Security Fund in Kisumu Branch

Government regulation especially that of increased taxation may have an implication towards the strategy implementation by NSSF and ultimately influence on access to pension schemes fund. Given that NSSF is a government owned institution, it directly receives the full impact of the laws as the regulating body is an owner of that institution. Government laws are always changing sometimes for the good sometimes for worse, making operations stagnate. Therefore, the study sought to determine the influence of government policy on access to pension schemes fund in National Social Security Fund in Kisumu Branch.

4.4.1 Compulsory fund and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The general view is therefore that pension funds need regulations to ensure they deliver on their pension benefit promises. Compulsory fund through laws provide more robust risk control mechanisms, better investor protection, more transparent information disclosure and subsequent stability of the pension funds. The study sought to determine how compulsory fund influence access to pension schemes fund in National Social

Security Fund in Kisumu Branch. The respondents were given questions with their rating on Likert's five point scale as **SA**= Strongly Agree, **A**= Agree, **N**= Neutral, **D**= Disagree and **SD**= Strongly Disagree in order to articulate issues of access to pension schemes. Table 4.7 shows the study findings.

Table 4.7 Compulsory fund and access to pension schemes fund in National Social Security Fund

Compulsory fund of pensions	Frequency	Percentage (%)
Strongly Agree	57	53.8
Agree	24	22.6
Neutral	0	0.0
Disagree	17	16.0
Strongly Disagree	8	7.6
Total	106	100.0

As indicated in Table 4.7, results show that 57 (53.8%) of the respondents strongly agreed that employers contributes towards compulsory pension scheme fund which has a bearing towards access to pension schemes fund, 24 (22.6%) agreed, 0 (0.0%) were neutral and 17 (16.0%) disagreed while 8 (7.6%) of the respondents strongly disagreed. Majority, 57 (53.8%) of the respondents strongly agreed that employers contributes towards compulsory pension scheme that influence access to pension schemes fund in National Social Security Fund. This could be attributed to the fact that NSSF as a government institution play a role as part of the pension and social protection system for mandatory schemes. It is also attributed to the fact that the National Social Security Fund (NSSF) Act Cap 258 in Kenya obligates employers to enroll employees into the social savings plan offered by NSSF whereby the employer matches the employee deduction. However, 17 (16.0%) of the respondents disagreed that compulsory fund has no bearing in access to pension schemes fund in National Social Security Fund. This could be due to interference from Legislature (Parliament – preservation rule).

These findings have improved to those by (Steele 2006) and Eijffinger & Shi (2007) who studied pension fund performance and governance indicators such as cheaper operating costs and the timely payout of benefits attributed the pension crisis in the European Union to regulatory failure. In addition, findings are similar to those by Nzuve (2010) who asserted that a key problem in access to pension schemes fund has been government interference in management of pension funds. Accordingly, the government can intervene with a policy to obligate employers to provide certain benefits to employees hence influence or limit access to pensions by the customers.

4.4.2 Pensions coverage and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The major driver for reform has been to strengthen the governance, management and effectiveness of the existing pensions system. In this regard, the study sought to establish how legislation on pension coverage influence access to pension schemes fund in National Social Security Fund in Kisumu Branch. To answer this question, a five point scale of **SA** = Strongly Agree, **A** = Agree, **N** = Neutral **D** = Disagree and **SD** = Strongly Disagree was used and findings are illustrated in Table 4.8.

Table 4.8 Pensions coverage and access to pension schemes fund in National Social Security Fund

Pension coverage	Frequency	Percentage (%)
Strongly Agree	24	22.6
Agree	29	27.4
Neutral	7	6.6
Disagree	38	35.8
Strongly Disagree	8	7.6
Total	106	100.0

As presented in Table 4.8, 24 (22.6%) of the respondents strongly agreed that pension's coverage influence access to pension schemes fund in National Social Security Fund in

Kisumu Branch, 29 (27.4%) agreed, 7 (6.6%) were neutral and 38 (35.8%) disagreed while 8 (7.6%) of the respondents strongly disagreed. Majority, 38 (35.8%) of the respondents disagreed that pension's coverage influence access to pension schemes fund in National Social Security Fund. This implies that employers are not ready to drive the pension agenda. The NSSF and other regulating bodies should illustrate to employers the benefits of starting retirement benefits schemes for their staff. In this scenario, in some cases employers default in remittance of contributions of the pension system a fact which becomes apparent when payment of benefits is due. Some employers do not provide the exact number of employees and of course, lack of compliance is a reflection of poor enforcement of the law. The current policy may not be adequate in addressing coverage benefit adequacy and growth of retirement saving for customers.

These results are consistent with those by World Bank (2005); Asher & Nandy (2006). The major reason why many developing countries fail to optimize pension fund efficiency is the existence of many laws to which pension funds are obliged to subscribe. The multiplicity of fragmented laws increases compliance costs and reduces the pension benefits. The problem of low coverage is attributable to lack of an effective policy aimed at widening of coverage and the current legal framework was designed to target participation of formal workers, Nyakundi B. D., (2009).

4.4.3 Prefunding of pensions fund and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study sought to establish whether legislation on prefunding of pensions influence access to pension schemes fund in National Social Security Fund in Kisumu Branch. To answer this question, a five point scale of **SA** = Strongly Agree, **A** = Agree, **N** = Neutral **D** = Disagree and **SD** = Strongly Disagree was used and study findings are illustrated in Table 4.9.

Table 4.9 Prefunding of pensions fund and access to pension schemes fund in NSSF

Prefunding	Frequency	Percentage (%)
Strongly Agree	22	20.8
Agree	28	26.4
Neutral	9	8.5
Disagree	36	34.0
Strongly Disagree	11	10.3
Total	106	100.0

As indicated in Table 4.9, results show that 22 (20.8%) of the respondents strongly agreed that prefunding of pensions influence access to pension schemes fund in National Social Security Fund, 28 (26.4%) agreed, 9 (8.5%) were neutral and 36 (34.0%) disagreed while 11 (10.3%) of the respondents strongly disagreed. Majority 36 (34.0%) of the respondents disagreed that NSSF pre-fund their otherwise Pay-As-You Go (PAYG) financial social security systems by establishing or further developing existing public pension reserve funds (PPRFs) and another 28 (26.4%) of the respondents agreed. This is only effective when the government legislate laws and regulations that support prefunding of pensions schemes.

These findings differ to those by Stewart and Yermo (2008), who argued that pre-funding pensions, whether it is via the establishment of public pensions reserve funds or the development of fully-funded, and private pension systems can help Governments respond more effectively to the fiscal pressures that will result from ageing populations. Leinert and Esche (2000) pointed that a large share of pre-funding could potentially lead to increased economic growth. The burden of an ageing population would then be eased by increase in future GDP.

4.5 Pension awareness and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The overwhelming risk in retirement savings and asset values may fall below what is needed to pay pension promises or otherwise meet a household's retirement timing needs. There are numerous risk factors that might contribute to this shortfall risk. The study sought to investigate the influence of pension awareness on access to pension scheme fund in NSSF-Kisumu branch under retirement planning, retirement financial education and public education campaign themes.

4.5.1 Retirement planning and access to pension schemes fund in National Social Security Fund in Kisumu Branch

Since the main aim of social security is to help individuals maintain a reasonable standard of living when faced with social and economic contingencies, there has been an increasing recognition of the need to understand the adequacy of benefits. The study sought to establish level of retirement planning and access to pension schemes fund in National Social Security Fund in Kisumu Branch. To answer this question, a five point scale of **SA** = Strongly Agree, **A** = Agree, **N** = Neutral **D** = Disagree and **SD** = Strongly Disagree was used and study findings are illustrated in Table 4.10.

Table 4.10 Retirement planning and access to pension schemes fund in NSSF

Retirement planning	Frequency	Percentage (%)
Strongly Agree	20	18.9
Agree	48	45.3
Neutral	5	4.7
Disagree	25	23.4
Strongly Disagree	8	7.6
Total	106	100.0

As presented in Table 4.10, results show that 20 (18.9%) of the respondents strongly agreed that retirement planning influence access to pension schemes fund in National

Social Security Fund, 48 (45.3%) agreed, 5 (4.7%) were neutral and 25 (23.4%) disagreed while 8 (7.6%) of the respondents strongly disagreed. An overwhelming 48 (45.3%) of the respondents agreed that retirement planning has a bearing in access to pension schemes fund. Retirement planning is due to adequate levels of preparedness for retirement plan by the NSSF in Kenyan people. The level of awareness on the importance of saving for retirement among Kenyans is still low. Though most Kenyans do not prioritize savings as a form of pension investment for the future, they prioritize to acquiring assets in the belief that they will use these assets to generate income after formal employment.

The concept of retirement to many does not involve pension schemes – mainly involves savings for assets (house, land, cows etc.). There is negative attitude towards retirement and general lack of a saving culture among Kenyans. The informal financial planning had a positive effect on anticipated financial expectation and that formal retirement education seminars that included financial management had positive effects on anticipated retirement satisfaction hence access to pensions. From the Goal-setting theory developed by Lockie, E. & Latham, G. in 1968, it suggests that two cognitive determinants of behavior: intentions and values. Intentions are viewed as the immediate precursors of human action. The choice or acceptance of intentions and subsequent commitment to those goals, for instance financial planning needs clearly defined goals. It is the recognition that instructions will affect behavior only if they are consciously accepted that makes goal setting a cognitive theory of motivation. Saving behavior is facilitated or restrained in the pre-training, training, and post training processes by the employer.

Moreover, the Consumer International survey (2011) reported very low levels of preparedness for retirement in Kenya and Tanzania. In Kenya, over 80% of all respondents did not have a sound retirement plan while in Tanzania close to 60% of the respondents reported having no retirement plan at all. In Kenya retired public servants including teachers and civil servants live in poverty just months after their retirement despite receiving their retirement benefits as provided for under the Pension Act, Barrow,

(2008). Regardless of the particular form of a pension scheme, investment decisions need to be taken, taking into account the retirement benefits that are guaranteed or targeted.

4.5.2 Retirement Financial Education and access to pension schemes fund in National Social Security Fund in Kisumu Branch

Many retirees could end up in abject poverty in their old age because of a poor saving culture. Some financial experts have described the saving habits of Kenyans as peculiar, noting that while most people are aware that they should be putting aside a certain percentage of their monthly income against their retirement among other investment options, very few actually do so due to lack of discipline. The study sought to ascertain retirement financial education influence access to pension schemes fund in NSSF in Kisumu Branch. To answer this question, a five point scale of **SA** = Strongly Agree, **A** = Agree, **N** = Neutral **D** = Disagree and **SD** = Strongly Disagree was used and study findings are illustrated in Table 4.11.

Table 4.11 Retirement financial education and access to pension schemes fund in National Social Security Fund

Retirement financial education	Frequency	Percentage (%)
Strongly Agree	25	23.6
Agree	32	30.2
Neutral	5	4.7
Disagree	30	28.3
Strongly Disagree	14	13.2
TOTAL	106	100.0

Results from Table 4.11 shows that 25 (23.6%) of the respondents strongly agreed that retirement financial education influence access to pension schemes fund in National Social Security Fund, 32 (30.2%) agreed, 5 (4.7%) were neutral and 32 (30.2%) disagreed while 14 (13.2%) of the respondents strongly disagreed. Majority 32 (30.2%) of the respondents agreed that retirement financial education influence access to pension

schemes fund. This is attributed to untimely employer-sponsored financial education on retirement savings program. This reflects the general lack of financial awareness which impacts negatively on the general saving culture. Suspicion that scheme providers may collapse with members' savings or may just refuse to allow them access to the savings must be counter reacted by NSSF. Timely communication of employee benefits which foster employee appreciation and increase their commitment to the organization. On the other hand, 30 (28.3%) of the respondents disagreed that retirement financial education has a bearing in access to pensions schemes in NSSF. This is usually enhanced through NSSF management regularly communicating to employees the policy and procedure on benefits, the available benefits and the criteria for eligibility. In addition, there should be proper strategy of communication that ensures transparency and accountability in implementing employee benefits program. This statistics are significant in addressing the concept of retirement through financial education, where to many does not involve pension schemes.

Furthermore, there is high negative perception of the insurance industry and financial sector which demonstrates mistrust in scheme investment. NSSF employees need to be convinced that the system of benefits is fair and impartial in order to have more retained customers accessing pensions. Therefore, social insecurity affects the level of investment decision and employer-provided financial education has a positive effect on retirement confidence to the public. Salas M, (2014), in a research on strategies to improve retirement readiness established that it is important to consider the timing of the retirement education.

These findings are similar to those by Braunstein & Welch, (2002) found out that financial education can help employees devise an investment strategy that ensures their retirement security—first by recognizing the advantage of contributing to employer-sponsored savings plans and then by understanding their future needs, goals, and appetite for risk. However, most systems-management philosophy focuses on performance of the system and forgets other few core constraints such as financial education. The theory Constraints suggest that managers should focus on effectively managing the capacity and

capability of these constraints if they are to improve the access and performance of their organization.

4.5.3 Public education campaign and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The timing of retirement education is particularly important when encouraging employees to take action and those employers are in the ideal position to provide employees with this information. Regular reminders of the value of retirement planning and providing financial information to employees at teachable moments such as time of hire or when employees receive pay increase appear to be effective. This study sought to establish the influence of public education campaign on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Findings are illustrated in Table 4.12.

Table 4.12 Public education campaign and access to pension schemes fund in National Social Security Fund

Public education campaign	Scale Rating	F	(%)
Public education campaign is a major activity mounted by NSSF	Agree	51	48.1
	Neutral	0	0.0
	Disagree	55	51.9
	Exhibitions	3	2.9
Pension awareness delivery channels used	Roadshows	2	1.9
	Open Days	1	0.9
	Multi-media	99	93.4
	Outreach	1	0.9

As presented in Table 4.12, almost the same proportion of the respondents agreed and disagreed that public education campaign is a major activity mounted by NSSF management. In addition, majority 99 (93.4%) of the respondents cited that multi-media

was the main pension awareness delivery channels used. Though, messages can be presented through multi-media channels such as TV, Print, Lifestyle Magazines, FM Radio Stations; this does not guarantee investment in pension schemes. One major factor to this is the nature of the target audience. Audiences have different intrinsic and extrinsic characteristics such as age, language, gender, environmental homogeneity etc. In this regard, language is a key barrier to pension subject as it may not be understood by ordinary people which definitely leads to low levels of pension awareness hence limited access to pension schemes fund.

The Retirement and Financial Literacy Education Program report (2012) indicated that the financial security employees and their family members have in the future depend, in part, on the knowledge they gather and make use of today. Therefore, there is urgent need for NSSF to demystify the pension subject, educate Kenyan workers on the need and benefits of saving for retirement and channels available for saving. Illustrate to employers the benefits of starting retirement benefits schemes for their staff amidst stiff competition from cooperatives, investment groups, saving accounts insurance companies etc. This public educative journey on saving for retirement and get them to take action and save is a process that requires adequate planning in the financial sector.

These findings concur to those by Clark *et al* (2010) who observed that inadequate financial education may cause workers to start saving too late in life to realize their stated retirement goals. As a result, they are unlikely to achieve an optimal balance between current consumption while working and future consumption in retirement due to negative attitude towards retirement, hence general lack of a saving culture. Rooji *et al* (2009) stated that the challenge is to determine whether and how financial education can be taught and, closely related, whether there is causal link between improving financial literacy and financial outcomes. The evidence so far has been mixed, with large heterogeneity in the estimated success of training programs. Therefore, joint financial education campaign instills confidence in the financial sector, inculcate a saving culture in Kenyans and get retirement planning integrated into overall financial planning and

targeting the informal sector, youth segments, members, trustees, public, and media through diverse ways of publicity.

4.6 Socio-economic factors and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study aimed to determine how socio-economic factors influence access to pension schemes fund in National Social Security Fund in Kisumu Branch under institutional factors, employee age and mobility and labour markets.

4.6.1 Institutional factors and access to pension schemes fund in National Social Security Fund in Kisumu Branch

This study sought to investigate institutional factors in determining how well an organization attains, maintains and retains its human resources in access to pensions and findings are indicated in Table 4.13.

Table 4.13 Institutional factors and access to pension schemes fund in NSSF

Institutional factors	Frequency	Percentage (%)
Strongly Agree	72	67.9
Agree	28	26.4
Neutral	0	0.0
Disagree	4	3.8
Strongly Disagree	2	1.9
Total	106	100.0

As indicated in Table 4.13, results show that 72 (67.9%) of the respondents strongly agreed that institutional factors influence access to pension schemes fund in National Social Security Fund, 28 (26.4%) agreed, 0 (0.0%) were neutral and 4 (3.8%) disagreed while 2 (1.9%) of the respondents strongly disagreed. An overwhelming 72 (67.9%) of the respondents strongly agreed that institutional factors are the driving force in access to pensions fund in NSSF. Theses institutional factors deal management of the organizations

in performance of pensions in the financial sector. They include how appropriate risk management policies safeguard the replacement rate, investment safety and time-based risks such as inflation which makes pensions accessible to many people. They are also attributed to pension fund governance which has direct implications for pension efficiency as it influence the administrative efficiency and investment strategies of pension fund use. In addition, effective internal control and operations can help determine the level of investment hence high benefits adequacy.

The Stakeholder Theory is applicable in viewing NSSF as a government institution manages itself to increase access of pensions to its members. The corporate organizations (NSSF) have the responsibility to ensure that their actions meet the expectations of all the stakeholders. Management should not only consider its shareholders in the decision making process, but also anyone who is affected by business decisions. NSSF should make underway plans to introduce a pension's plan administration curriculum in governance of pensions and their investment strategies. Moreover, the Goal Setting Theory recognizes that instructions made by management of NSSF will affect behavior only if they are consciously accepted that makes goal setting a cognitive theory of motivation. According to Locke (1968), goals direct attention and action. In addition, they mobilize effort in proportion to perceived requirements of the goal or task Goal-setting theory holds that, once a hard task is accepted, the only logical thing to do is to try until the goal is achieved or until a decision is reached to lower or abandon the goal.

However, 4 (3.8%) of the respondents who disagreed could be attributed to the fact that most organizations contain a few core constraints which limit performance and access to pensions by the NSSF customers. The Theory of Constraints suggests that managers should focus effectively on managing the capacity and capability of these constraints if they are to improve the performance of their organization. Findings from Table 4.13 show that institutional factors have direct influence in shaping the access to pensions. These findings are similar to those by OECD 2009; Carmichael & Palacios 2003; Hustead, 2008 who asserted in their study on governance and performance of pensions that pension fund governance has direct implications for pension efficiency as it influences the administrative efficiency and investment strategies of pension fund use

pension fund performance is strongly correlated with governance indicators such as cheaper operating costs and the timely payout of benefits (Steele 2006).

4.6.2 Employee age and mobility and access to pension schemes fund in National Social Security Fund in Kisumu Branch

This study sought to establish whether employee age and mobility has an influence of on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Findings are illustrated in Table 4.14.

Table 4.14 Employee age and mobility and access to pension schemes fund in National Social Security Fund

Employee age & mobility	Frequency	Percentage (%)
Strongly Agree	55	51.9
Agree	23	21.7
Neutral	3	2.8
Disagree	15	14.2
Strongly Disagree	10	9.4
TOTAL	106	100.0

As indicated in Table 4.14, results show that 55 (51.9%) of the respondents strongly agreed that employee age and mobility influence access to pension schemes fund in National Social Security Fund, 23 (21.7%) agreed, 3 (2.8%) were neutral and 15 (14.2%) disagreed while 10 (9.4%) of the respondents strongly disagreed. The study findings show that more than half, 55 (51.9%) of the respondents strongly asserted that employee mobility from one form of employment to another impact negatively to the viability of pension scheme. This reduces the number of contributors to NSSF. NSSF policy allows employee mobility from one form of employment to another and still contributes to the pension scheme for investment. The issue of employers shifting and engaging employees from permanent and pensionable jobs towards contractual arrangements has posed a serious challenge on the viability of pension schemes. The age of employees determines

the pension promises that their employers will make to them since younger employees have a longer time horizon to invest compared with the older employees which in turn influences the type of pension fund design on which to anchor the pension fund.

Earlier studies by Charles *et al.* (2006) point to a negative relationship between the age of members and pension fund efficiency and found that the age of the members influences the investment strategy to adopt. Whereas pension funds with younger members will be robust in their investments, while those with older members will tend to be conservative, thus limiting their returns on investments. It is therefore hypothesized that the age of members exerts an influence on the financial access to pension scheme fund.

4.6.3 Labour markets and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The respondents were asked to state their opinion concerning labour markets on pension investment and its inclination on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Findings are illustrated in Table 4.15.

Table 4.15 Labour markets and access to pension schemes fund in National Social Security Fund

Labour markets	Frequency	Percentage (%)
Strongly Agree	30	28.3
Agree	45	42.5
Neutral	6	5.7
Disagree	22	20.6
Strongly Disagree	3	2.9
TOTAL	106	100.0

As presented in Table 4.15, results show that 30 (28.3%) of the respondents strongly agreed that labour markets influence access to pension schemes fund in National Social Security Fund, 45 (42.5%) agreed, 6 (5.7%) were neutral and 22 (20.6%) disagreed while 3 (2.9%) of the respondents strongly disagreed. Majority, 45 (42.5%) of the respondents

agreed that pensions are affected by dynamic labour markets which influence growth and viability of pensions. Macroeconomic fluctuations, political interference and the instability of the financial sector negatively affect pension fund management which makes pension's scheme fund inaccessible to most Kenyans. There is evidence of declining revenue from contributions due to unemployment and insolvency in the private sector as well as retrenchments and budgetary constraints in the public sector. The real value of reserves is eroded through high inflation rates and the channeling of resources into politically motivated low-yield investments and loans. It has become evident that the social security system is not able to provide adequate levels of income at old age. These results are echoed by Stewart & Yermo, (2009) who proposed that such concerns are greatest in countries with high levels of labour market informality, as is the case in developing countries in Africa and elsewhere.

Additionally, Lange, (2010) reported that financial theory postulates that for an economy to experience macroeconomic stability it must invest in its economy. While this is beneficial to the economy, Welfare Economists argues that investing pension contributions in financial markets exposes the pensioner to risks. The risks can occur when there is poor investment, and poor performance of the financial market. When a loss occurs, fund managers transfer the risks to pensioners who in return receive less than expected and sometimes nothing at all. This thesis aims at analyzing the sustainability of the pension reform by examining the advantages and disadvantages of the reform.

4.7 Product innovation and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The markets in Kenya and Africa are all at different stages of development in terms of regulation and knowledge about product innovation. Alternative assets are critical for economic development, especially in a country like Kenya. Product innovation provides growth capital for businesses and creates jobs, which is a priority for the government and critical for Kenya's future retirees. The study sought to investigate the influence of product differentiation under pension scheme design, investment portfolios and compensation package.

4.7.1 Pension scheme design and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study sought to determine influence of pension scheme design on access to pension schemes fund in National Social Security Fund in Kisumu Branch and Table 4.16 shows the findings.

Table 4.16 Pension scheme design and access to pension schemes fund in National Social Security Fund

Pension scheme design	Frequency	Percentage (%)
Strongly Agree	29	27.4
Agree	59	55.7
Neutral	3	2.8
Disagree	9	8.5
Strongly Disagree	6	5.6
Total	106	100.0

As presented in Table 4.16, results show that 29 (27.4%) of the respondents strongly agreed that pension scheme design influence access to pension schemes fund in National Social Security Fund, 59 (55.7%) agreed, 3 (2.8%) were neutral and 9 (8.5%) disagreed while 6 (5.6%) of the respondents strongly disagreed. Majority, 59 (55.7%) of the respondents agreed that pension scheme design is a major determinant in access to pension schemes fund in National Social Security Fund. This is affected by simplicity or complexity of pension plan design structure that attract customers in accessing pensions through product innovation. The pension plan design structure influence access to pensions because population view of the future of financial practices in retirement investing and services, as elsewhere in the economic sphere, is clouded with significant uncertainties. Moreover, pension fund design in terms of direct benefits (DB) and direct contribution (DC) influence choice of pension investment. This is because some products are much more complex for its producer and others much less complex to use by its

consumers. In addition, new financial product and market designs improves pension fund investments hence makes them easier to access, affordable to the customers.

New financial product and market designs, improved computer and telecommunication technologies, and advances in the theory of finance during the past quarter century have led to dramatic and rapid changes in the structure of global financial markets and institutions. The scientific breakthroughs in financial engineering in this period both shaped and were shaped by the extraordinary flow of financial innovation that coincided with those changes. The cumulative impact has significantly affected all of us—as users, producers, and overseers of the financial system—most importantly in long-horizon asset management providing for retirement benefits.

2.7.2 Investment Portfolios and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The respondents were asked to state their opinion concerning investment portfolios on pension investment and its inclination on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Findings are illustrated in Table 4.17.

Table 4.17 Investment portfolios and access to pension schemes fund in National Social Security Fund

Investment portfolios	Frequency	Percentage (%)
Strongly Agree	24	22.6
Agree	54	50.9
Neutral	9	8.5
Disagree	16	15.1
Strongly Disagree	3	2.9
TOTAL	106	100.0

As presented in Table 4.17, results show that 24 (22.6%) of the respondents strongly agreed that pension investment portfolios influence access to pension schemes fund in National Social Security Fund, 54 (50.9%) agreed, 9 (8.5%) were neutral and 16 (15.1%)

disagreed while 3 (2.9%) of the respondents strongly disagreed. Majority 54 (50.9%) of the respondents agreed that investment portfolios influence growth and access to pension schemes fund in National Social Security Fund. The financial service industry has made significant progress in developing and improving portfolio allocation and performance measurement. It is widely considered that asset allocation is an important driver of portfolio investment returns over the long horizon. For instance, the DC plan lasts over long horizons, typically the entire working life an individual. This makes asset allocation an important aspect of such a plan and a significant determinant of returns and final wealth.

These findings points to earlier studies by Hawkins, (2010) who asserted that there are a number of investment products that allow individuals to invest in a variety of mutual funds mainly focused on decumulation. These funds centre on the creation of investment products that can create a stream of income to fund retirement. The option of lump sum at retirement still remains the predominant choice for retirees and retirement products see less patronage in many developing countries. This represents a substantially long distribution horizon and planning in retirement as well as asset allocation in this phase of life is increasingly important. Cooley, Hubbard, & Walz (2001) propose that at least 50% of a retirement portfolio should be invested in stocks and their findings show increased sustainability of the pension fund as it tilts more towards equities. They show that the presence of bonds is mainly to restrain portfolio volatility and provide liquidity to cover an investor's living expenses. Bengen (2004) advises that if the future market follows the trends of behaviour in the past, then a retirement portfolio should contain 50-75% equity allocation.

2.7.3 Compensation package and access to pension schemes fund in National Social Security Fund

The study investigated influence of compensation package on access to pension schemes fund in terms of size of the benefit represented by the social pension program. It was looked in terms of adequacy, acceptability, and affordability. Findings are shown in Table 4.18.

Table 4.18 Compensation package and access to pension schemes fund in National Social Security Fund

Compensation package	Frequency	Percentage (%)
Strongly Agree	26	24.5
Agree	51	48.1
Neutral	5	4.7
Disagree	18	17.1
Strongly Disagree	6	5.6
Total	106	100.0

As indicated in Table 4.18, results show that 26 (24.5%) of the respondents strongly agreed that pension compensation package influence access to pension schemes fund in National Social Security Fund, 51 (48.1%) agreed, 5 (4.7%) were neutral and 18 (17.1%) disagreed while 6 (5.6%) of the respondents strongly disagreed. Majority of the responses highlights the size of the benefit represented from defining design decisions for a social pension program. NSSF provides affordable pension schemes that have wide scope and reach. Higher benefit sizes can limit the number of potential beneficiaries. Both real resource availability as well as political will influence affordability. The NSSF provident fund is seen as affordable to its target population where 51 (48.1%) of the respondents agreed compensation package has a bearing on pension accessibility, benefits adequacy and higher number of contributors to the pension scheme fund.

The NSSF public provident fund system of benefits is fair and impartial for all the members. The transfer amount must be sufficient to meet the program objectives. Providing a transfer that is too small will compromise the social protection outcome of the program, particularly since a relatively small benefit may be too little to outweigh the private costs to the beneficiaries in receiving the grant or to change outcomes that are less elastic to small changes in income. In addition, customers should be comfortable with the monthly subscription rates of the pension scheme. Employers and employees have the option of voluntarily contributing more than the statutory figure to NSSF.

A study of the social pension in Mongolia finds similar results (UNFPA & MOSWL 2007). Social pensions are on average smaller than contributory pensions but still have a significant impact on the lives of the recipients. Although the amount of money they receive as social pension is small, it contributes to their living expenses and the elderly feel that the government cares about them. The social pension is instrumental in preventing older people and their families from falling into extreme poverty. In a survey of beneficiaries in Mongolia, 80% of respondents attributed a significant impact of the social pension on their attitudes and mindset for survival.

Retirement Benefit Scheme benefits are available to those aged 55 who have retired from active employment (Stewart & Yermo 2009). Too low a benefit yields a negligible impact on income security and poverty reduction. Too large a benefit threatens the affordability constraint and can create distortions in targeted programs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summarized findings, conclusion and recommendation of the research findings based on the research questions.

5.2 Summary of findings

This sub-section presents summary of the study findings of the objectives in percentages.

5.2.1 Government policy and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study sought to establish influence of government policy on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Concerning compulsory fund and access to pension schemes fund, results show that 53.8% of the respondents strongly agreed that employers contributes towards compulsory pension scheme fund which has a bearing towards access to pension schemes fund, 22.6% agreed, 0.0% were neutral and 16.0% disagreed while 7.6% of the respondents strongly disagreed.

Concerning pension's coverage and access to pension schemes fund in National Social Security Fund in Kisumu Branch, 22.6% of the respondents strongly agreed that pension's coverage influence access to pension schemes fund in National Social Security Fund in Kisumu Branch, 27.4% agreed, 6.6% were neutral and 35.8% disagreed while 7.6% of the respondents strongly disagreed.

On whether prefunding of pensions fund influence access to pension schemes fund in National Social Security Fund in Kisumu Branch, 22 20.8% of the respondents strongly agreed that prefunding of pensions influence access to pension schemes fund in National Social Security Fund, 26.4% agreed, 8.5% were neutral and 34.0% disagreed while 10.3% of the respondents strongly disagreed.

5.2.2 Pension awareness and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study sought to investigate the influence of pension awareness on access to pension scheme fund in NSSF-Kisumu branch. Results indicate that 18.9% of the respondents strongly agreed that retirement planning influence access to pension schemes fund in National Social Security Fund, 45.3% agreed, 4.7% were neutral and 23.4% disagreed while 7.6% of the respondents strongly disagreed. An overwhelming 45.3% of the respondents agreed that retirement planning has a bearing in access to pension schemes fund.

In addition, the respondents were asked whether retirement financial education has a bearing on access to pension schemes fund in National Social Security Fund in Kisumu branch. Findings reveal that 23.6% of the respondents strongly agreed that retirement financial education influence access to pension schemes fund in National Social Security Fund, 30.2% agreed, 4.7% were neutral and 28.3% disagreed while 13.2% of the respondents strongly disagreed.

Similarly, the research established public education campaign and its influence on access to pension schemes fund in National Social Security Fund in Kisumu Branch, almost the same proportion of the respondents agreed and disagreed that public education campaign is a major activity mounted by NSSF management. In addition, majority 93.4% of the respondents cited that multi-media was the main pension awareness delivery channels used.

5.2.3 Socio-economic factors and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study aimed to determine whether socio-economic factors influence access to pension schemes fund in National Social Security Fund in Kisumu Branch under institutional factors, employee age and mobility and labour markets.

Concerning institutional factors and access to pension schemes fund in National Social Security Fund in Kisumu Branch, results show that 67.9% of the respondents strongly

agreed that institutional factors influence access to pension schemes fund in National Social Security Fund, 26.4% agreed, 0.0% were neutral and 3.8% disagreed while 1.9% of the respondents strongly disagreed.

On employee age and mobility and access to pension schemes fund in National Social Security Fund in Kisumu Branch, study findings show that 51.9% of the respondents strongly agreed that employee age and mobility influence access to pension schemes fund in National Social Security Fund, 21.7% agreed, 2.8% were neutral and 14.2% disagreed while 9.4% of the respondents strongly disagreed.

The study also investigated influence of labour markets on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Results show that 28.3% of the respondents strongly agreed that labour markets influence access to pension schemes fund in National Social Security Fund, 42.5% agreed, 5.7% were neutral and 20.6% disagreed while 2.9% of the respondents strongly disagreed.

5.2.4 Product innovation and access to pension schemes fund in National Social Security Fund in Kisumu Branch

The study sought to investigate the influence of product differentiation under pension scheme design, investment portfolios and compensation package. On influence of pension scheme design on access to pension schemes fund in National Social Security Fund in Kisumu Branch, results indicate that 27.4% of the respondents strongly agreed that pension scheme design influence access to pension schemes fund in National Social Security Fund, 55.7% agreed, 2.8% were neutral and 8.5% disagreed while 5.6% of the respondents strongly disagreed.

The respondents were asked to state their opinion concerning investment portfolios on pension investment and its inclination on access to pension schemes fund in National Social Security Fund in Kisumu Branch. Findings show that 22.6% of the respondents strongly agreed that pension investment portfolios influence access to pension schemes fund in National Social Security Fund, 50.9% agreed, 8.5% were neutral and 15.1% disagreed while 2.9% of the respondents strongly disagreed.

Concerning compensation package on access to pension schemes fund in National Social Security Fund, results show that 24.5% of the respondents strongly agreed that pension compensation package influence access to pension schemes fund in National Social Security Fund, 48.1% agreed, 4.7% were neutral and 17.1% disagreed while 5.6% of the respondents strongly disagreed.

5.3 Conclusion of the Study

This study achieved 95.5 per cent tool return rate that boosted reliability of the results since the study sample size was set at a margin error (α) of 5 per cent that gave 95 per cent confidence level. In addition, more than half, 56.6% of the respondents were male and 43.4% were female with a mean age of 52 years. The result points at many women in developing countries face perilous old age because they lack savings or any form of social security. The low proportion of women to men could imply that women are often in a disadvantaged position in the labour market. These results also indicate that contribution in pension fund was largely represented by old population. Furthermore, 17.0% of the respondents indicated to be in the informal sector. This shows how the Kenya's pension system is fragmented and general lack of a saving culture among Kenyans. Moreover, 47.2% of the respondents were diploma holders. The study concludes that:

1. There is overwhelming evidence that there is interference from Legislature (Parliament – preservation rule). A key problem in access to pension schemes fund has been government interference in management of pension funds. Some employers do not provide the exact number of employees and of course, lack of compliance is a reflection of poor enforcement of the law hence employers are not ready to drive the pension agenda.
2. Pension's awareness has significant contribution in preparedness for retirement plan which influence pension accessibility.
3. Socioeconomic factors such institutional factors, employee age and mobility and labour markets had a bearing on access to pension fund where majority of the

respondents strongly asserted due to the fact that pension fund governance has direct implications for pension efficiency.

4. New financial product and market designs improve pension fund access and investments. The investment portfolios influence growth and access to pension schemes fund in National Social Security Fund. The NSSF provident fund is seen as affordable, affordable and adequate to its target population.

5.4 Recommendations of the Study

From the findings of the study:

1. The Legislature (Parliament – preservation rule) should demystifying the pension subject in regulating the pensions targeting the all the Kenyan people
2. NSSF should increase pension’s awareness in targeting: Informal sector, youth segments, members, trustees, women and PLWDs, public, media regular and timely communication to employees the policy and procedure on benefits and eliminate negative perception towards retirement.
3. NSSF management should improve on risk management policies that safeguard the replacement rate, investment safety and time-based risks such as inflation. In facing dynamic labour markets, more investment portfolios in terms of equity to outstand health competition.
4. Realign new financial product and market designs to improve pension fund access and investments.

5.5 Suggestion for further Study

Due to limited time, the study recommends other studies to be carried on the following areas:

1. Influence of Accounting Information Systems (AIS) on Performance of pension schemes fund.
2. Motivational factors influencing pension investment in NSSF.

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APPENDICES

APPENDIX I: TRANSMITTAL LETTER

Dear Respondent,

RE: FILLING OF QUESTIONNAIRE

I am a postgraduate student at University of Nairobi carrying out a Research Project on the Factors influencing Access to Pension Schemes Fund in National Social Security Fund in Kisumu Branch, Kenya. Your center has been sampled for study and therefore I humbly request you to kindly respond to the questions asked as sincerely and accurately. The ultimate goal of the study is to provide insights into the aspect of access to pension schemes in NSSF. I am assuring you that the information you will give will be treated with utmost confidence and will only be used for the purpose of this study. To assist in concealing your identity I request you do not write your name or anything that can lead to the revelation of your identity.

I will be very grateful for your co-operation.

Thank you in advance,

Yours Faithfully,

Ruth Wanyonyi

APPENDIX II: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Please respond to the questions below by ticking in the boxes provided

1. **Gender:**

Male []

Female []

2. **Age:**

18 – 25 Years []

26 – 35 Years []

36 – 45 Years []

46 – 55 Years []

Over 56 Years []

3. **Level of Education:**

Primary Certificate []

Secondary Certificate []

College Diploma []

University Degree []

4. **Employment Status**

Employed []

Unemployed []

Self-Employed []

SECTION B:

To what extent do you agree or disagree with the following statements? Please indicate on a scale of 1-5 the extent to which you can agree with the statements by ticking appropriately.

Key: 1. Strongly Disagree (**SD**) 2. Disagree (**D**) 3. Neutral (**N**) 4. Agree (**A**) 5. Strongly Agree (**SA**)

Government Policy	1=SD	2=D	3=N	4=A	5=SA
1.My employer contributes towards the compulsory pension scheme for employee					
2.I contribute individually to the optional pension scheme system					
3. NSSF play a role as part of the pension and social protection system for mandatory scheme for all formal sector employees in Kenya					
4. Regulatory policies sufficiently address mandatory schemes for public service employees financed on a pay-as-earn basis					
5. Government policy influence access to pensions					
6. The Retirement Benefits Act includes a provision for employers with the consent of their employees to opt out of making statutory contributions to the NSSF and make contributions to another approved scheme					
7. The deducted amount is saved with NSSF and paid to employees upon retirement thereby creating a social safety net for the workers					
8. The current policy provides adequate regulation in improving governance of pension Schemes in NSSF					
9. A key problem in access to pension schemes fund has been government interference in management of pension funds					
10. There need of shifting policy issues to address challenges of increasing coverage benefit adequacy and the growth of retirement savings for customers					
11. The policies allow private occupational schemes to operate in parallel to the NSSF.					
12. The problem of low coverage is attributable to lack of an effective policy aimed at widening of coverage and the current legal framework was designed to target participation of formal workers					
13. NSSF pre-fund their otherwise Pay-As-You Go (PAYG) financial social security systems by					

establishing or further developing existing public pension reserve funds (PPRFs)					
14. The system besides covering a very small population of the formal sector, has not addressed the critical question of benefits adequacy and of course, lack of compliance is a reflection of poor enforcement of the law in NSSF					
15. Large share of pre-funding of pension schemes fund could potentially lead to increased economic growth hence access by customers					
16. Pre-funding of pension funds is preferable to reserve funds as the former guarantee ownership or beneficial rights to pension plan members and are normally subject to a comprehensive regulatory and supervisory framework					

Pension Awareness	1=SD	2=D	3=N	4=A	5=SA
17. There is adequate levels of preparedness for retirement plan in Kenyan people					
18. Saving is not considered a priority and can be done without among Kenyan people					
19. Most people give priority to acquiring assets in the belief that they will use these assets to generate income after formal employment					
20. Being temporarily employed hinders contribution towards pension schemes in the NSSF					
21. The NSSF management regularly communicates to employees the policy and procedure on benefits, the benefits available and the criteria for eligibility					
22. NSSF management has put in place proper strategy of communication that ensures transparency and accountability in implementing employee benefits program					
23. NSSF employees need to be convinced that the system of benefits is fair and impartial in order to have more retained customers accessing pension					
24. NSSF has proper and timely communication of employee benefits which enhance employee					

appreciation and increase their commitment to the organization					
25. Employer-sponsored financial education positively impacts a person in having a retirement savings program					
26. Financial education can help employees devise an investment strategy that ensures their retirement security					
27. NSSF has savings plans which helps employees in understanding their future needs, goals, and appetite for risk					
28. NSSF usually organize financial education workshops, handouts, fairs, etc., in order to increase pension awareness for its customers					
29. Language is a key barrier to pension subject not understood by ordinary people which definitely leads to low levels of pension awareness hence limited access to pension schemes fund					
30. NSSF has mounted serious joint campaigns to educate Kenyan workers on the need and benefits of saving for retirement and channels available for saving through various sources of media					
31. There is negative attitude towards retirement and general lack of a saving culture among Kenyans – want access to savings					

Socio-economic factors and pension schemes fund	1=SD	2=D	3=N	4=A	5=SA
32. NSSF has clear objectives and thereby, pensions become profitable and successful and the customers access pension schemes fund benefits					
33. NSSF management determines the success or failure of our organization which shapes the well-being of every person on the planet on pensions					
34. Irregular access to income hinders ability to effectively subscribe to pension schemes					
35. I am comfortable with the Monthly subscription rates of my pension scheme					
36. NSSF has appropriate risk management policies that safeguard the replacement rate, investment safety and time-based risks such as inflation.					
37. NSSF has realigned pension fund design on which to anchor the pension fund that focuses on younger employees who have a longer time horizon to invest compared with the older employees					

38. The age of members exerts an influence on the financial access to pension scheme fund					
39. Pension fund governance has direct implications for pension efficiency as it influence the administrative efficiency and investment strategies of pension fund use					
40. NSSF policy allows employee mobility from one form of employment to another and still contributes to the pension scheme for investment					
41. Employers shifting and engaging employees from permanent and pensionable jobs towards contractual arrangements have posed a serious challenge on the viability of pension schemes					
42. Density of contributions has affected the pension benefits in NSSF especially targeting large informal sectors					
43. NSSF support equity investment by pension funds					

Product Innovation	1=SD	2=D	3=N	4=A	5=SA
44. My pension scheme providers offers variety of subscription options					
45. My pension scheme offers a range of social benefits					
46. New pension scheme products can bring on board more subscribers					
47. People who have lower education level participate more effectively					

APPENDIX III: INTERVIEW SCHEDULE

- 1) Bio data information
 - Name
 - Designation
 - Qualification
- 2) How do factors influence access to pension scheme fund
- 3) In what ways do social factors influence access to pension scheme fund
- 4) To what extent does pension awareness influence access to pension scheme fund
- 5) How does government policy influence access to pension scheme fund



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COLLEGE OF EDUCATION AND EXTERNAL STUDIES**

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Your Ref:
Our Ref: Uon/Cees/Kak/2/2/SPF/ (11)
Telephone: Kakamega 056-31038

P.O. B0x 422
KAKAMEGA
KENYA

4th AUGUST, 2014

TO WHOM IT MAY CONCERN

REF: RUTH WANYONYI, REG NO. L50/7563/2014

This is to confirm that the above named person is a student at the University of Nairobi, College of Education and External Studies, School Of Continuing and Distance Education, Department Of Extra-Mural Studies, pursuing a course leading to the award of Masters of Arts, Project Planning and Management. She has completed the coursework and is now working on research work.

Any assistance accorded to her will be highly appreciated.

Yours faithfully,

**Dr. Stephen Okele,
Resident Lecturer,
Kakamega & Western Kenya Area.**