EFFECT OF PENSION SCHEMES ON FINANCIAL SECURITY OF RETIREEES IN KENYA: A CASE OF MATHIOYA SUB-COUNTY IN MURANG’A COUNTY.

Onassis Ndegwa Wanyoike
College of Human Resource and Development,
Jomo Kenyatta University of Agriculture and Technology
P. O. Box 62000, 00200 Nairobi, Kenya
Corresponding Author email: ondegwa@gmail.com

Mr. Wicliffe Anyango
College of Human Resource and Development,
Jomo Kenyatta University of Agriculture and Technology
P. O. Box 62000, 00200 Nairobi, Kenya.


ABSTRACT

Social security as a fundamental human right, it is only befitting that government and other stakeholders provide retirement benefits to their older persons so that they can live in dignity in their sunset years. The projected rise in old age dependency demands that appropriate measures are put in place to ensure financial security of retirees is catered for. Pension schemes play a significant role to this end. As such, the prudent management of pension schemes is critical if this has to be achieved. The purpose of this study was to look at the impact of pension schemes in ensuring financial security of retirees. The objectives of this study were therefore to; determine the impact of pension schemes on financial security of retirees, find out the extent of coverage of pension schemes on retirees, establish the challenges facing pension schemes in providing financial security of retirees, and to establish management strategies for overcoming these challenges to pension schemes in Kenya. A cross-sectional survey was adopted for this study and a total of one hundred and thirty three retirees were the sample size for the study. The study’s validity and reliability was established through test-retest of the questionnaires during the pilot study. Data was collected through use of hybrid questionnaires and analysis done using SPSS software. The study used inferential and descriptive statistics such regression analysis, ANOVA, percentages and frequencies for data analysis and findings presented using tables, graphs and pie-charts. The study established that pension scheme were important in ensuring financial security of retirees. The study also established that pension schemes face numerous challenges such as poor governance, mismanagement, lack of awareness of their importance, external interference in their management and corruption. The study recommends that appropriate policies and legislations should be implemented to mitigate these challenges. Good governance is also critical in ensuring their success.

Key words: Financial Security, Member Factors, Governance, Benefits, Financial Plans
Background of the Study

Pension funds are the principal sources of retirement income for millions of people in the world (Sze 2008). Retirement income accounts for 68 percent of the total income of retirees in Kenya (Kakwani, Sun & Hinz 2006), 45 percent in Australia, 44 percent in Austria and 80 percent in France while in South Africa 75 percent of the elderly population rely on pension income. In the United States of America 82 percent of retirees depend on pension income (EBRI, 2007). Pension funds should therefore be managed efficiently to ensure higher retirement income for pensioners.

Funded pension systems have in the recent past gained popularity since they contribute to the economic growth of countries worldwide through direct contribution to the GDP (Watson, 2007; Corbo & Schmidt-Hebbel, 2004), accumulation of savings (Rauh, 2006; EBRI, 2007), financial market development (Davis, 2005; Yermo, 2008), reducing old-age poverty (Kakwani, Sun & Hinz, 2006) and acting as consumers of financial services (Heijdra et al., 2006). The growth of funded pension systems has led to the increase in domestic savings in Africa. Dovi (2008) documents that between 1998 and 2007 the savings increased from 17.8 percent to 22.1 percent of the GDP in Sub-Saharan Africa and from 21 percent to 30 percent of the GDP in Northern Africa as a result of embrace of the funded pension systems. The pension system has further reduced the poverty trap ratio by 13 percent in South Africa and increased the income of the poorest 5 percent by 50 percent (Stewart & Yermo, 2009). In Kenya, the pension system contributes to an estimated 68 percent of the total income of retirees (Kakwaniet al, 2006) and controls wealth estimated at Ksh. 397 billion, the equivalent of 30 percent of the country’s GDP (RBA, 2010).

The financial crises in the world, the fall of equity markets and interest rates, are important facts, that pension funds have suffered huge losses (OECD, 2009). The Organization for Economic Cooperation and Development (OECD) has estimated a decline in assets of pension funds of USD 5.4 trillion at the end of 2008. This decline has an impact of around 20 – 25 percent on average to finance payment of pensioners. The nominal return (growth rate of money) of selected OECD and non-OECD countries varied in 2008 between negative thirty five (-35) percent to +11 percent. In Suriname for example pension funds are also experiencing difficulties in maintaining continuity and ensuring promised pension benefits to pensioners.

1.3.2 Specific objectives

i. To determine the effect of member factors on financial security of retirees in Kenya.

ii. To find out the effect of governance on financial security of retirees in Kenya.

iii. To establish the effect of benefits on financial security of retirees in Kenya.

iv. To establish the effect of financial planning on financial security to retirees in Kenya.

Literature Review

Modigliani-Brumberg Life Cycle Hypothesis of Saving

According to Modigliani (1966), the life cycle hypothesis presupposes that “consumption and saving decisions of households at each point of time is a reflection of an attempt aimed at attaining a preferable distribution of consumption over the life cycle and depends on the constraints brought about by the resources accruing to the household over its lifetime. The theory assumes that without a sound plan, consumption leads to the exhaustion of the resources and that earning power normally diminishes as time goes by hence calling for a rate of consumption that is in tandem with earlier consumption. As such, households must save early to accumulate
wealth for the retirement years. It is important to note that pension schemes influence savings through their basic structures and the forces that inform a saving culture by individuals.

Idowu and Olanike (2009) posit that the Life cycle hypothesis is “a function of lifetime wealth and that this is not affected by changes in the pattern of income over time, as long as the wealth, defined to include not only financial and real assets, but also the expected value of future income from human capital wealth, does not change, and neither should the pattern of consumption overtime.” As such, the urge to save varies from person to person since consumption has little or no fluctuation with disposable income. However, pension reforms are known to affect the saving rates through redistribution of wealth between different age groups that have different propensities to save; and redistribution of wealth between members of the same age group with different propensities to save.

The Stakeholder Theory
The stakeholder theory by Freeman (1984) envisions that organizations have a responsibility to ensure the overall wellbeing of their members. As such, organizations should involve stakeholders in any decision making process on how best to execute a programme or activity. 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 \textit{et al.}, 2004). It is therefore important that retirees are actively involved in the way pension schemes are managed. While the traditional view of an organization is that it is only the shareholders who are important to such an organization and that the company should thus have a responsibility to the needs of shareholders only. The stakeholder theory, however, holds the view that there are other groups of publics that are as important to the organization. These groups include governments, suppliers, clients, labour unions, trade associations, political groups, competitors among others. This theory has however been criticized for its inclusion of non-human stakeholders such as the natural environment and absentee ones such as future generations or potential victims (Capron, 2003). This is so because stakeholders are viewed as groups or individuals that largely exclude the natural environment. Miles (2012) concurs and posits that the characterization a stakeholder is highly contestable.

Theory of Constraints
The theory of Constraints was developed by manufacturing guru Eliyahu M. Goldratt in 1984. This theory of constraints (TOC) is a systems-management philosophy that envisions a constraint as anything that limits a system from achieving higher performance verses its goal. “The core idea of the Theory of Constraints is that every real system such as a profit-making enterprise must have at least one constraint, the TOC is a thinking process that enables people to invent simple solutions to seemingly complex problems, the Theory of Constraint states that every system must have at least one constraint limiting output and that there is no choice in the matter; either you manage the constraints or they mange you. The constraint will determine the output of the system whether they are acknowledged and managed, or not.” As such, an organization is as strong as its weakest link in that processes, organizations, etc., are vulnerable because the weakest person or part can always damage or break them or at least adversely affect the outcome (Tulas & Rao, 2012). The fundamental thesis of TOC is that constraints establish the limits of performance for any system.
Systems Theory
Systems theory is based on the work of von Bertalanffy (1968) originating in the “natural sciences in efforts to understand sets of objects, the relationships between those objects, and the relationship between sets of objects and their environments (Coelett, n.d.). On a wider scope, pension schemes just like any other organization can be viewed as open systems in which various processes interact to achieve a desired outcome. These processes include; productive processes which involve the input-throughput-output mechanisms that result in products and services; energizing processes which take into account the ways in which the organization affects and is affected by its environment; the enabling processes which include mechanisms that control and measure the relationships and interactions among the organization's subsidiary parts individuals, groups, departments, profit centers and developing processes the systems and programs that provide for the differentiation, i.e., growth and development, of the organization's subsidiary parts individuals, groups among others.

Member factors
- Number of members
- Period of contribution
- Age of members

Governance
- Management
- Legislation
- Challenges

Benefits
- Liquidity of pension scheme
- Frequency of payment

Financial plan
- Budget
- Investments

Independent Variables

Financial Security
- Steady income for sustenance
- Ability to meet in other form of financial obligation like medical bills, school fees, travel costs.

Dependent Variable
Conceptual Framework

Research Methodology

Research Design
Research design is the general plan of how one goes about answering the research questions (Patton, 2002). It is the structure or overall plan that usually guides the research study (Jwan & Ong’ondo, 2011). A descriptive research design was adopted for this study. The purpose of a descriptive design is to describe a phenomenon as it exists and “involves the measurement, classification, analysis, comparison and interpretation of data” (Kombo & Tromp, 2006).

Target Population
A target population is the group with certain similar characteristics from which a representative sample is chosen for purposes of a study. Mugenda and Mugenda (2003) define a target population as the total collection of elements about which one wishes to make some inferences. The study population involved retired employees who receive a pension benefit. From the above data, there were 92,932 persons above the age of 60 years, the retirement age in Kenya. To be included in the study, the participant must have been in retirement for over five years, were members of a pension scheme and lived in Mathioya Sub-County in Murang’a County.

Table 3.1: Population Projections by Age Cohorts

<table>
<thead>
<tr>
<th>Age cohort</th>
<th>Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>26,758</td>
</tr>
<tr>
<td>65-69</td>
<td>20,289</td>
</tr>
<tr>
<td>70-74</td>
<td>15,830</td>
</tr>
<tr>
<td>75-79</td>
<td>11,038</td>
</tr>
<tr>
<td>80+</td>
<td>19,017</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>92,932</strong></td>
</tr>
</tbody>
</table>

Source: Murang’a County

Sampling Techniques and Sample Size
In order to draw a sample size, the snowball type of purposive sampling approach was used for this study. Purposive sampling is a non-probability technique in which a researcher targets a group of people believed to be reliable for the study. Kombo and Tromp (2006) note that in snowball or chain sampling, it starts “with a few people and they gradually increase as new contacts are mentioned by the people a researcher starts with.” This sampling technique was used because there were no records of retirees residing in Mathioya Sub-County hence no sampling frame.

A sample size is a finite part of the target population that is studied to gather information about the whole (Webster, 1985). These are the research participants selected from the population for purposes of the study. Generalizations to the whole population can be drawn since the sample size is representative of the whole population. Phrasisombath (2009) concurs and posits that a sample size helps researchers draw conclusions that are valid for the whole study population and therefore a sample should be drawn in a way that is representative of the population.

The number of persons over the age of 60 years in Murang’a County was 92,932. According to Microsoft Encarta (2009), a retiree is someone who has retired from a job or career. It is thus...
important to note that a retiree can be someone who has been in formal employment or self-employment. Bowlby (2007) concurs and states that a retiree is a “full-time employee for a long period, stopped working in older age, now not working and or self-employed business owner in older age, business now controlled by or sold to someone else” (15).

Assuming that this number was evenly distributed among the seven (7) sub-counties, then Mathioya’s had 13,276 persons over 60 years and above. According to Curry (1984), as cited in Yount (2006), the sample size Rule of Thumb is that 1% of the population represents an adequate sample size for large populations. As such, the sample size for Mathioya was 1% of 13,276, which translated to 132.76 persons (133 retirees).

**Data Collection Instrument**

Data was collected using a hybrid questionnaire that contained structured and non-structured questions. The researcher through a written submission to the participants enlightened them on purpose of the study. The participants received their letters of informed consent one (1) week prior to collection of data after which the questionnaires were handed out to the participants who consented to take part in the study and were required to fill out the questionnaires as per the instructions. As the questionnaires contained both closed and open-ended items, the respondents were encouraged to reply at length and satisfactorily, and tick appropriately where appropriate.

A hybrid questionnaire was the primary data generation technique. The questionnaire contained both structured and open-ended questions on a variety of issues concerning pension schemes and financial security of employees. It was structured into three (3) sections: Section A of the questionnaire had items that generated data on demographics of the participants. Section B of the questionnaire posed study variables questions concerning pension schemes and financial security of retirees. Section C contained questions on the financial security of retirees in Kenya. The questionnaire was short, easy to understand, unbiased, and specific to the topic under study.

**Data Collection Procedures**

The first step in data collection was to get approval from the university supervisor to proceed for fieldwork. Then a research permit was obtained from the Mathioya Sub-County in Murang’a County. This was followed by the recruitment of the team of research assistants. The criteria for selection included the availability of the participants and their flexibility in terms of working hours. The research assistants were trained in data collection which incorporated pre-testing the questionnaires. The research assistant were in charge of administering the questionnaires for the first time. The rationale of this was to save on time and cost of research. The questionnaires were collected immediately upon completion.

**Pilot Test**

Cooper and Schindler (2011) defines a pilot test as a stage where research instruments (questionnaires) are administered to a number of individuals in the target population who are not included in the sample size so as to test the reliability and validity of the instruments. It is important to ensure that the instruments are reliable and valid. This was achieved by conducting a pilot test of the instruments before the commencement of data collection for the full study in order to collect data that was used to test the validity and reliability of the research instruments.

A pilot test is a research conducted on a limited scale to test the feasibility of the study, data generation instruments and research method to be used. The pilot test did not use the same respondents that the research intended to study to pretest the data generation instruments. Twenty (20) respondents were used in the pilot test.
Reliability Test
A test-retest procedure was also done during the pilot study to confirm the reliability of the questionnaires. The questionnaires were tested twice to determine any discrepancies in the answers given as pertains to the opinions of the respondents and experts in the industry vis a vis the intent of the study.

Validity Test
According to Castillo (2009), validity exists when the knowledge sought is arrived at through descriptions that make possible an understanding of the meanings and essence of experience. A pilot study was be carried out to pre-test the questionnaire for validity. The questionnaires was administered to a small group of respondents and afterwards asked questions about any glitches in wording, lack of clarity of the given instructions concerning the questionnaire, and checking for any vagueness in the questions.

Data Analysis and Presentation
The collected data was coded, edited and tabulated to ensure consistency and completeness. Data analysis involved establishment of categories, application of these categories to raw data through coding, tabulation and then drawing statistical inferences. The researcher used both descriptive and inferential statistics to analyze collected data using the SPSS software and the findings were presented using tables, graphs and pie charts.
Data was analyzed in a stepwise method through forward selection using regression analysis where all the variables were analyzed to help establish the in-depth relationship between the pension schemes and financial security of retirees as provided by the null hypothesis for this study.
Regression model is as shown below;
\[ Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \]
Where:
- \( Y \) = Financial security of retirees
- \( \alpha_0 \) = is the constant
- \( X_1 \) = Member factors
- \( X_2 \) = Governance
- \( X_3 \) = Benefits
- \( X_4 \) = Financial plan
- \( \beta_1, \beta_2, \beta_3, & \beta_4 \) = Coefficients
- \( e \) = is the residual error

Results
Response Rate
The data was collected from the members of a pension scheme lived in Mathioya Sub-County in Murang’a County. Out of the 133 administered questionnaires, 109 (82 %) were returned while 24 (18 %) were not returned. The response rate was appropriate since according to Kothari (2007) a response rate of more than 70% is appropriate for analysis as shown in Table 4.1. This was a very important profile distribution for this study since the respondents were the right people with adequate information relevant to this study hence best placed to give the appropriate responses. According to Mugenda and Mugenda (2003) a response rate of more than 10% of the
sample is adequate for data analysis. Cooper and Schindler (2003) also argues that a response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. This also meets the acceptable response rate, 40%, as suggested by Sekaran (2000).

Participants Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>109</td>
<td>82%</td>
</tr>
<tr>
<td>Not Returned</td>
<td>24</td>
<td>18%</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>100%</td>
</tr>
</tbody>
</table>

Validity and Reliability Test

Validity Test

Content validity refers to what the test actually measures and requires the use of recognized subject matter experts to evaluate whether test items assess defined content (Bryman & Bell, 2007). Content validity was achieved by subjecting the data collection instruments to an evaluation by a group of five the members of a pension scheme experts who provided their comments on the relevance of each item on the instruments. The experts were required to indicate whether the items were relevant or not. The results of their responses were analyzed to establish the percentage representation using the content validity index. The content validity formula by Amin (2005) was used in line with other previous studies (Cull, Demirguc-Kunt, & Morduch, 2007; Lefort & Urzua, 2008). The formula is; Content Validity Index = (No. of judges declaring item valid)/(Total No. of items). Results from Table 4.2, shows that the test yielded an average validity index score of 89%. This implied that the instrument was valid as emphasized by (Amin, 2005)

<table>
<thead>
<tr>
<th>RATER</th>
<th>TOTAL ITEMS</th>
<th>VALID ITEMS</th>
<th>FRACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>60</td>
<td>50</td>
<td>0.83</td>
</tr>
<tr>
<td>2</td>
<td>60</td>
<td>54</td>
<td>0.90</td>
</tr>
<tr>
<td>3</td>
<td>60</td>
<td>51</td>
<td>0.85</td>
</tr>
<tr>
<td>4</td>
<td>60</td>
<td>56</td>
<td>0.93</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td><strong>0.87</strong></td>
</tr>
</tbody>
</table>

Reliability Test

Reliability refers to the extent to which data collection techniques and analysis procedures will yield similar findings to those of prior researchers. Measurement of reliability provides consistency in the measurement of variables. Cronbach Alpha is the basic formula for determining reliability based on internal consistency (Kim & Cha, 2002). In this study, constructs were tested for internal consistency reliability using Cronbach Alpha coefficient with the aid of SPSS software. According to George and Mallery (2003), Cronbach Alpha value
greater than 0.7 is regarded as satisfactory for reliability assessment. As shown in Table 4.3. Cronbach alpha values for all the variables; member factors, governance, benefits, financial plan and financial security were greater than 0.7. From these findings it can be concluded that the constructs measured had the adequate reliability for the subsequent stages of analysis since all the Cronbach Alpha values were greater than 0.7.

### Reliability Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member factors</td>
<td>10</td>
<td>0.813</td>
</tr>
<tr>
<td>Governance</td>
<td>10</td>
<td>0.730</td>
</tr>
<tr>
<td>Benefits</td>
<td>10</td>
<td>0.763</td>
</tr>
<tr>
<td>Financial plan</td>
<td>10</td>
<td>0.711</td>
</tr>
<tr>
<td>Financial Security</td>
<td>17</td>
<td>0.825</td>
</tr>
</tbody>
</table>

According to Nunnally (1978) and Malhotra (2004) the standard minimum value is $\alpha = 0.7$. This is also supported by Zinbarg (2005) who states that an alpha coefficients higher than 0.70 indicates that the gathered data have a relatively high internal consistency and could be generalized to reflect the opinion of the respondents in the target population. From the results shown in table 4.4, which indicates that the instrument returned a highly acceptable score since all of the coefficients, are above 0.70. Thus Financial plan $\alpha = 0.71$, Financial Security $\alpha=0.825$, Benefits $\alpha = 0.763$, member factor $\alpha=0.813$, are sufficient confirmation of data reliability for the four independent variables.

### Reliability Analysis for financial security of retirees in Kenya

<table>
<thead>
<tr>
<th>Reliability</th>
<th>Statistics</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach Alpha</td>
<td>0.796</td>
<td>10</td>
</tr>
</tbody>
</table>

### Demographic Information of the Respondents

#### Gender of the Respondents

The study found it paramount to determine the respondents’ gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are displayed in figure 4.1. According to the analysis it was evident that majority of the respondents were male which represented 57% while 43% were female. This finding on the results conforms to VanDerhei and Olsen (2000) who found that women tend to invest less of their contributions to qualified retirement plans in equity assets as compared to men. Murphy and Gerrans (2001) further stated that the number of women in those retirement plans is less compared to men that is women could accumulate less in total retirement assets over time which could again results in lower level of retirement preparedness among females.
Respondents Gender

Respondents Distribution by Age
The respondents were required to indicate their age where the study findings indicated that majority (44%) indicated that their age bracket was between 20 and 30 years. Analysis of findings also indicated that 28% of the respondents were between 31 and 40 years of age. The findings further indicated that 19% were above 40 years of age while 9% were less than 20 years of age.

This findings conforms to Stawski, Hershey and Lawson (2007) who found that age has a significant direct effect on savings contributions and pattern and thus individual saving for retirement must start early regardless of the number of years one has been working. However, Keating and Marshal (1980) concluded that on average, individuals do not become interested in retirement plans until they are 48 years of age, meaning that most retirement occurs when individuals have either not accumulated enough savings to sustain life after retirement or the little saved is inadequate to accommodate the budget constraint thus consumption may grow less rapidly.

Level of Education
The study sought to find out the respondents level of education in order to ascertain whether academic and professional qualification influenced pension schemes on financial security of retirees in Kenya. The findings of the study are displayed in figure 4.3 from the findings, majority (38%) were diploma holders while 31% of the respondents indicated that they had attained university degree in their respective areas of specialization. The study further indicated that 26% of the respondents were secondary certificate holders 8% indicated that had primary...
certificate while minority (5%) had attained postgraduate qualifications which included masters and postgraduate diplomas.

The findings of this study conforms to the findings of Kim, Kwon and Anderson (2005) that education as an individual characteristics is key in individual preparation for retirement since the characteristic was significant with a positive relation with retirement confidence.

![Bar Chart](image)

**Respondents Level of Education**

**Respondents Work Experience**

The study found it necessary to find out the respondents years in service as staff members in the pension schemes on financial security of retirees in Kenya so as to find out the relationship between work experience and financial security of retirees. The findings of the study are displayed in figure 4.4. Based on the findings, majority (49%) of the respondents had over 10 years’ experience while 37% had between 5-10 years. It was also revealed that 14% of the respondents had an experience not exceeding 5 years.

![Bar Chart](image)

**Respondents Work Experience**

**Study Variables**

**Member Factors**
Statements regarding Member Factors on financial security of retirees in Kenya.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of pension schemes have certain characteristics that largely affect the vitality and success of such schemes.</td>
<td>50</td>
<td>34.1</td>
<td>7.2</td>
<td>7.1</td>
<td>1.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Individuals members who lose their employment may need money for their upkeep</td>
<td>43.7</td>
<td>19.5</td>
<td>14.3</td>
<td>18.4</td>
<td>4.1</td>
<td>4.4</td>
</tr>
<tr>
<td>Each member has a unique number that records contribution savings regardless of the agent used</td>
<td>15</td>
<td>74.6</td>
<td>6</td>
<td>2.4</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Members who have contributed from an early age are also assured of substantial amounts upon retirement.</td>
<td>40.8</td>
<td>31</td>
<td>15.9</td>
<td>8.2</td>
<td>4.1</td>
<td>4.1</td>
</tr>
</tbody>
</table>

According to the findings, respondents agreed to the statement that Members of pension schemes have certain characteristics that largely affect the vitality and success of such schemes were 50% of the respondents strongly agreed; 34.1% agreed; 7.1% disagreed; 1.6% strongly disagreed. 43.7% Majority of the respondents strongly agreed that Individuals members who lose their employment may need money for their upkeep 19.5% agreed 14.3% were neutral 18.4% disagreed while 4.1% strongly disagreed on statement regarding each member has a unique number that records contribution savings regardless of the agent used majority 74.6% agreed; 15% strongly agreed; 6% were neutral; 2.4% disagree; 2% strongly disagreed on Members who have contributed from an early age are also assured of substantial amounts upon retirement 40.8% of the respondent strongly agreed; 31% agreed; 15.9% were neutral 8.2% disagreed while 4.1% strongly disagreed. as shown by mean of 3.5, 4.4, 4.4, and 4.1 respectively.

These findings relate with the literature review where Bodie, (2009) found out that the main reason why pension schemes exist is to provide some form of social security to people who retire from active employment. The study infers that member factor has an impacts of pension schemes on financial security of retirees in Kenya.
Governance
Statements regarding the impact of governance on financial security of retirees in Kenya

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good governance should be in Compliance with RBA regulations</td>
<td>54.3</td>
<td>32</td>
<td>4</td>
<td>6.2</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Governance should be in Maintenance of an effective performance system</td>
<td>39</td>
<td>41</td>
<td>8</td>
<td>10</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>Disclosure of financial and operating result is a factor in good governance</td>
<td>45.1</td>
<td>38.6</td>
<td>8.3</td>
<td>6</td>
<td>2</td>
<td>4.1</td>
</tr>
<tr>
<td>Good governance is characterized by CEO leadership, independence of the board, transparency and accountability</td>
<td>30.7</td>
<td>33</td>
<td>14.2</td>
<td>18</td>
<td>4.1</td>
<td>4.0</td>
</tr>
</tbody>
</table>

The question sought to find out the respondents’ level of agreement with various statements. According to the findings, 54.3% of the respondents strongly agreed; 32% agreed; 4% were neutral; 6.2% disagreed; 3.5% strongly disagreed that Good governance should be in Compliance with RBA regulations; 39% of the respondents strongly agreed that Governance should be in Maintenance of an effective performance measurement system; 41% agreed; 8% were neutral; 10% disagreed; while 2% strongly disagreed. Majority 45.1% of the respondent strongly agreed that disclosure of financial and operating result is a factor in good governance 38.6% agreed; 8.3% were neutral; 6% disagreed while 2% strongly disagreed and 30.7% strongly agreed that good governance is characterized by CEO leadership, independence of the board, transparency and accountability 33% agreed; 14.2% were neutral; 18% disagreed while 4.1% strongly disagreed as indicated by the mean 3.8, 3.5, 4.1, and 4.0 respectively.

These findings relate with the literature review where Catalan (2004) suggests that pension funds contribute to the growth of the financial markets through the corporate governance channel. This demonstrates that governance factors to a large extent impacted pension schemes on financial security of retirees in Kenya.
**Benefits**

**Statements regarding the impact of benefits on financial security of retirees in Kenya.**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits payable are guaranteed, typically as a percentage of the final salary for each year of pensionable service</td>
<td>55</td>
<td>22</td>
<td>14</td>
<td>5.2</td>
<td>4.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Benefits are not directly determined by the contributions and income then the financial and longevity risk must be borne by the entity establishing the scheme (normally the employer).</td>
<td>14</td>
<td>3</td>
<td>21</td>
<td>45</td>
<td>17</td>
<td>3.9</td>
</tr>
<tr>
<td>Any scheme in which the employer guarantees a rate of return to the members or which has an explicit targeted benefit should be classified as a defined benefit.</td>
<td>2.5</td>
<td>6.1</td>
<td>4.1</td>
<td>22</td>
<td>65.3</td>
<td>4.3</td>
</tr>
<tr>
<td>A member's retirement benefits are equal to the contributions made, net of expenses including premiums paid for insurance of death or disability risks, accumulated in an individual account.</td>
<td>14.3</td>
<td>4.1</td>
<td>18.4</td>
<td>34.7</td>
<td>28.5</td>
<td>3.6</td>
</tr>
</tbody>
</table>

The question sought to find out the respondents’ level of agreement with various statements on the impact of benefits on financial security of retirees in Kenya. According to the findings, 55% of respondents strongly agreed to the statement that benefits payable are guaranteed, typically as a percentage of the final salary for each year of pensionable service 22% agreed; 14% were neutral 5.2% disagreed; and 4.0% strongly disagreed. Majority of the respondents 45% disagreed that benefits are not directly determined by the contributions and income then the financial and longevity risk must be borne by the entity establishing the scheme (normally the employer).14% strongly agreed; 3% agreed; 21% were neutral and 17% strongly disagreed. 65.3% strongly disagreed that any scheme in which the employer guarantees a rate of return to the members or which has an explicit targeted benefit should be classified as a defined benefit 2.5% strongly agreed; 6.1% agreed; 4.1% were neutral; and 22% disagreed; 34.7% Disagreed that A member's retirement benefits are equal to the contributions made, net of expenses including premiums paid for insurance of death or disability risks, accumulated in an individual account; 14.3 strongly agreed; 4.1% agreed; 18.4% were neutral as shown by a mean of 3.7, 3.9, 4.3, 3.6 and 3.9 respectively.

These findings collate with the literature review where Brady, (2009) he found that contribution (DC) pension schemes outperform the defined benefit (DB) schemes for the following reasons: DC schemes are more cost effective than DB schemes because the benefits payable are not tied to the contributions made. The study infers that benefits, of pension schemes impacts financial security of retirees in Kenya.
Financial plan

Statements regarding the impact financial plan on financial security to retirees in Kenya

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial planning is an important life skill to help you plan for your future and take better control of your financial goals by helping you to set realistic plans</td>
<td>21</td>
<td>34</td>
<td>20</td>
<td>15</td>
<td>8.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Financial plan not only involves investing money and building your wealth; but also your credit and tax obligations, everyday spending</td>
<td>24</td>
<td>13</td>
<td>21</td>
<td>32</td>
<td>10</td>
<td>3.6</td>
</tr>
<tr>
<td>Financial planning is not a one-time deal! it is reviewed and regularly to make sure one is in right track towards achieving your goals.</td>
<td>11</td>
<td>14.1</td>
<td>18.1</td>
<td>21</td>
<td>35.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Retirement planning is the process of determining how you will set aside enough money so you can enjoy life after you stop working.</td>
<td>14.3</td>
<td>14.1</td>
<td>15.4</td>
<td>34</td>
<td>22.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>

The question sought to find out the respondents’ level of agreement with various statements on the impact financial plan on financial security to retirees in Kenya.

According to the findings, 34% of the respondents agreed to the statement that Financial planning is an important life skill to help you plan for your future and take better control of your financial goals by helping you to set realistic plans.; 21% strongly agreed; 20% were neutral; 15% disagreed and 8.0% strongly disagreed On the statement that financial plan not only involves investing money and building your wealth; but also your credit and tax obligations, everyday spending 32% disagreed; 24% strongly agreed; 13% agreed; 21% were neutral; and 10% strongly disagreed on the statement that financial planning is not a one-time deal! it is reviewed and regularly to make sure one is in right track towards achieving your goals. 35.3% of the respondents strongly disagreed; 21% disagreed; 18.1% were neutral; 14.1% agreed and 14.3% strongly agreed; On the statement that Retirement planning is the process of determining how you will set aside enough money so you can enjoy life after you stop working. 34% disagreed; 22.5% strongly disagreed; 15.4% were neutral; 14.1% agreed and 14.3% strongly agreed, as shown by a mean of 3.2, 3.6, 4.1, 3.4 and 3.8 respectively.

These findings relate with the literature review where Mark (2009) states that pension funds with a clear plan of investment principles perform better than those without. Increased pension fund returns are dependent on the active management of the investment portfolios. Therefore it can be inferred that financial plan impact financial security to retirees in Kenya.
Financial Security

Statements on financial security of retirees in Kenya.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>No effect</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial security is not an end in itself but, like price stability, is</td>
<td>21</td>
<td>30.1</td>
<td>17.2</td>
<td>17.1</td>
<td>14.1</td>
<td>3.8</td>
</tr>
<tr>
<td>generally regarded as an important precondition for sustainable economic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial security contributes to the health of the financial systems</td>
<td>33.7</td>
<td>29.5</td>
<td>14.3</td>
<td>14.4</td>
<td>8.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Financial security can be enhanced by the existence of a smoothly</td>
<td>25</td>
<td>64.6</td>
<td>4</td>
<td>3.4</td>
<td>3</td>
<td>4.2</td>
</tr>
<tr>
<td>operating infrastructure.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintaining and safeguarding financial security is a must for the</td>
<td>30.8</td>
<td>41</td>
<td>14.9</td>
<td>9.2</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>authorities of every country not only to have a sound national financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>system but also to contribute to the overall soundness of the world</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial markets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the findings, 30.1% of respondents agreed that financial security is not an end in itself but, like price stability, is generally regarded as an important precondition for sustainable economic growth; 21% strongly agreed; 17.2% were neutral; 17.1% disagreed while 14.1% strongly disagreed. On the statement regarding financial security contributes to the health of the financial systems 33.7% of majority strongly agreed; 29.5% agreed; 14.4% disagreed; 14.3% were neutral and 8.1% strongly disagreed; On the statement regarding Financial security can be enhanced by the existence of a smoothly operating infrastructure. majority of the respondent with 64.6% agreed; 25% strongly agreed; 4% were neutral; 3.4% disagreed; while 3% strongly disagreed; Maintaining and safeguarding financial security is a must for the authorities of every country not only to have a sound national financial system but also to contribute to the overall soundness of the world financial markets.30.8% strongly agreed; 41% agreed; 14.9% were neutral; 4.9% disagreed and 4.1% strongly disagreed.

These findings relate with the literature review where Becker, Antuar & Everett, (2011) notes that Pension funds need to have a clear understanding of the overall investment security that they have in place directly and or through appointed investment managers and of the risks in this strategy.

Regression analysis

The linear regression analysis models the linear relationship between the dependent variable which is financial security of retirees in Kenya and the independent variables which are member factors, governance, benefits, and financial plan. The coefficient of determination $R^2$ and correlation coefficient ($r$) show the degree of association between the Variables and financial security of retirees in Kenya. The results of the linear regression indicate that $R^2=.955$ and $R=$
this is an indication that there is a strong relationship between member factors, governance, benefits, financial plan and the financial security of retirees in Kenya.

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>494.594</td>
<td>12</td>
<td>123.648</td>
<td>362.058</td>
<td>.000</td>
</tr>
<tr>
<td>1 Residual</td>
<td>28.687</td>
<td>121</td>
<td>.342</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>523.281</td>
<td>133</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial security of retirees in Kenya

Table 4.10 indicates that P value = 0.000 which is less than 5%. This shows that the overall model is significant. It further implies that member factors, governance, benefits, financial plan have a significant impact on the Financial security of retirees in Kenya.

Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.962</td>
<td></td>
<td>0.168</td>
<td>0.867</td>
</tr>
<tr>
<td>Member factors</td>
<td>0.873</td>
<td>0.071</td>
<td>1.849</td>
<td>0.056</td>
</tr>
<tr>
<td>Governance</td>
<td>0.581</td>
<td>0.008</td>
<td>1.210</td>
<td>0.004</td>
</tr>
<tr>
<td>Benefits</td>
<td>0.713</td>
<td>0.213</td>
<td>4.141</td>
<td>0.000</td>
</tr>
<tr>
<td>Financial Plan</td>
<td>0.289</td>
<td>0.233</td>
<td>5.222</td>
<td>0.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial security of retirees in Kenya

The researcher conducted a multiple regression analysis so as to determine the relationship between y and the four variables. As per the SPSS generated table 4.11, the equation (Y = β₀ + β₁X₁ + β₂X₂ + β₃X₃ + β₄X₄ + ε) becomes:

\[ Y = 2.962 + 0.873X₁ + 0.581X₂ + 0.713X₃ + 0.289X₄ \]

Where Y is the dependent variable (financial security of retirees in Kenya), X₁ is the Member factor variable, X₂ is Governance variable, X₃ is Benefits variable and X₄ is Financial plan.

According to the regression equation established, taking all factors into account (Member factors, governance, benefits, and financial plan) constant at zero, financial security of retirees in Kenya will be 2.962. The data findings analyzed also show that taking all other independent variables at zero, a unit increase in Member factor will lead to a 0.873 increase in financial security of retirees in Kenya; a unit increase in governance will lead to a 0.581 increase in financial security of retirees in Kenya, a unit increase in benefits will lead to a 0.713 increase in financial security of retirees in Kenya and a unit increase in financial plan will lead to a 0.289 increase in financial security of retirees in Kenya. This infers that member factors contribute more to the financial security of retirees in Kenya followed by benefits, governance and financial plan respectively.
Conclusions
The study sought to examine on the effect of member factors and it was established that members of pension schemes have certain characteristics that largely affect the vitality and success of schemes. Majority of the respondents strongly agreed that Individuals members who lose their employment may need money for their upkeep.

The study established that members who contribute from an early age are also assured of substantial amounts upon retirement. Further the study established that each member has a unique number that records contribution savings regardless of the agent used. The study emphasized that good governance should be in Compliance with RBA regulations and governance should be in Maintenance of an effective performance measurement system

The study indicated that good governance is characterized by CEO leadership, independence of the board, transparency and accountability and governance should be in Maintenance of an effective performance measurement system. Also the study established that governance should be in maintenance of an effective performance measurement system.

The study established that majority agreed that of the respondents agreed that benefits are not directly determined by the contributions and income, also the financial and longevity risk must be borne by the entity establishing the scheme. Also the study established that member's retirement benefits are equal to the contributions made, net of expenses including premiums paid for insurance of death or disability risks, accumulated in an individual account.

Reform of pension systems the world over has largely been informed by the increasingly fiscal burden of these schemes’ liabilities. For instance, the restructuring of pension schemes in Kenya in the last decade has been informed by the need to bring about efficiency in delivering benefits through strengthening their governance, management and effectiveness. Pension plans are established to offer opportunities for financial security in retirement thereby ensuring a guaranteed cost-of-living adjusted income for retirees. In this sense, it keeps the aging population out of poverty. For example, pension schemes such as NSSF were established to serve as the first pillar in the provision of social security for Kenyan workers. Pension schemes have greatly improved the socio-economic status of Kenyan workers.

Recommendations
Member factors
The study recommended that pension schemes have good characteristics that largely affect the vitality and success of schemes. The study also recommended that pension schemes are important since it help members on financial upkeep during the employment loss. Also the study recommended that pension scheme ensure the social security of its members in old age or precisely in retirement. Pension schemes it is recommended that they should be using the member contributions to invest in capital ventures with expected positive returns on investments and subsequently good returns for its members. The study recommended that it’s important for each member has a unique identification number that records contribution savings to enhance identification.

Governance
The study recommended that good governance influences on good leadership, leaders independence, transparency and accountability. Also the study recommended that good governance maintain an effective performance measurement system.
The study recommends that properly governed pension schemes should be recording their investment performance, in order to realize operational efficiency and the security of pension benefits. Pension governance should have pension regulations, proper leadership, since appropriate governance of pension schemes is vital in ensuring continuous improvement and the study recommends governance should ensure that pension scheme have plans which are regularly reviewed and their governance structures for operational risks, internal controls are complied with appropriate legislations. Further, the study recommend that good governance should be in Compliance with RBA regulations and disclosure of financial performance and operating result.

**Benefits**
The study recommended that pension schemes should guarantee the members a return benefit and security. pension schemes should secure members from known and unknown risks such as death or disability risks. The study also recommends that pension schemes benefits should provide security, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death. The study further recommended that benefits should be directly determined by the beneficiary and the member's retirement benefits are equal to the contributions made.

**Financial plan**
The study recommended that financial planning is important and there should be regular review and reconciliation of finances and contributions. Also the study recommended that Proper and annual financial statement analysis should be done to identify the strengths and weaknesses of the businesses. Finally pension schemes should be employing qualified personnel on permanent terms and also install a financial management system that will ensure the costs incurred in paying illegal claims is reduced or completely eliminated.

The study further recommends that retirement plan should ensure accessibility and availability of funds after retirement. Also the study recommended that financial planning should be done to secure future of the members.

**Areas For Further Research**
The study established the impact of pension schemes on financial security of retirees in Kenya. Further research should be carried out to find out the hindrances to success pension schemes on financial security of retirees in Kenya.

**References**


