AN AWARENESS AUDIT ON RETIREMENT BENEFITS SCHEME MEMBERS' RIGHTS OF KNOWLEDGE AT KENYA NATIONAL LIBRARY SERVICE

BY

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DECLARATION

The project report is my original work and has not been presented for a degree or diploma in any other university in part or whole.

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An awareness audit on retirement

Kingori, Miriam
DEDICATION

This project report is a special dedication to my husband King’ori, children: Kariuki, Mwangi and Wanjohi with whose support, prayers and encouragement this study has been completed.
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I would like to thank the Almighty God for His Grace that kept me going during period of study. I would also like to thank and appreciate the support and encouragement from the following: The Director and the Board of Kenya National Library services for granting me sponsorship and the time off to attend classes. To my husband John and children Kariuki, Mwangi and Wanjohi for their prayers, support, encouragement and patience.

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Thank you and May the Almighty God bless you all.
ABSTRACT

The main purpose of a retirement Benefits Scheme is to provide retirement benefits to scheme members upon their retirement from the employer’s service. Retirement benefits therefore form part of important savings in an employee’s life. This study was undertaken to examine the scheme member’s rights of knowledge at the Kenya National Library Service.

The study focused mainly on members’ awareness on the scheme regulations, benefits of the scheme, and member’s rights to documents, contribution ratios, training and access to retirement benefits. The data was collected from twelve branch Libraries that formed the scope of the study representing four Provincial Libraries, Four District Libraries and four Communities based Libraries.

The rate of response was forty-nine members out of the planned sixty, representing 82%. The study indicated that the members’ knowledge on the Retirement Benefits Scheme at Kenya National Library Service is very low despite the fact that Kenya National Library Service is a Government Parastatal that operates a scheme that is registered with the Retirement Benefits Authority, members awareness should be given priority. Member’s rights of knowledge is a major component in the scheme operations and calls for attention from both the scheme Trustees and the sponsor.

The data analysis and presentation is done so as to help the researcher to be able communicate findings more effectively and efficiently. After obtaining the data from primary and secondary sources, the researcher then went ahead to classify it under qualitative and quantitative data.

Summary of the findings was done in the light of the variables of the study. The information was then used to give conclusion and recommendations on what the researcher achieved in carrying out the research in this study where the main purpose was to audit member awareness on the retirement benefit scheme in Kenyan, with specific reference to Kenya National Library service. The study concluded that scheme members’ training level is averagely low on scheme matters.

To improve the member’s knowledge on the scheme they subscribe to, the study recommended adequate training and effective communication to scheme members on regular basis.
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<td>Retirement Benefits Authority</td>
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<td>O.A.P.S</td>
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<td>S.P.S.S.</td>
<td>Statistical Package for Social Science</td>
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DEFINITION OF TERMS

Assurance: An annuity, sinking fund or assurance policy

Regulation: Regulation made pursuant to the Retirement Benefits Act, and any amendment thereof or additions thereto

Member: An employee of the sponsor who has been duly admitted to membership of the Scheme and who has not ceased to be a member in terms of the rules.

Scheme: Staff Retirement Benefits Scheme

Retirement: Time when an employee reaches end of his working life
CHAPTER ONE
INTRODUCTION

1.1 Background Information of the Study

Members' awareness on Retirement benefits schemes through enhanced organization management has been the pre-occupation of the Retirement Benefits Authority since the enactment of RBA Act in 1997 (GOK 1997). Many Trustees run different schemes under the guidance of the Trust Deed and Rules and in accordance with this revised RBA Act Regulations, the Trustee Act and Income Tax Act. Although several attempts by different bodies have been in place to improve the members' awareness on the schemes they subscribe to, very minimum extent has the members' knowledge increased. More often than not; members just meet their benefits at the retirement time with surprises. This explains why Kenyan retirees fail to plan for their retirement benefits and they easily fall prey of tricksters who loot their benefits leaving them very desperate at old age (Machira, 2002).

The meaning of Retirement benefits should be effectively communicated to members from the commencement date (recruitment of member) and should be a continuous process up to the last date (Retirement). The benefits, which ranges from salary supplements, benefits of future good and indirect compensation aimed at enhancement of quality work life, should be made known to members. Retirement benefits are usually aimed at increasing the organization ability to attract and retain high quality labour force through provision of personal needs to members and to increase their commitment to the employer. The member awareness should target membership eligibility, members rights to documents of the scheme, Pension Acts, Employer and Employee contributions, Access to benefits, Tax provisions among others (Ambrosio, 2003).

According to David Koross an RBA official (March, 2000, at pre-retirement seminar), the main purpose of retirement benefits can be frustrated when members are not empowered to understand the basic aspects of retirement benefits schemes. He stressed
that the main purpose of retirement benefits schemes is the provision of retirement benefits to members upon their retirement from the employers’ service and relief for the dependants of the deceased in case member’s death.

1.2 Statement of the Problem

The question of whether Kenyans are saving enough for their retirement has been an important issue during the past two-decades and it continues to gain public concern. Studies indicate that majority of workers may not have sufficient resources to maintain their financial independence during their retirement (Hanna & Harman, 2003). The retirement savings crisis is occurring during times of major societal trends towards household debt at old age (Peach & Sleinder, 2000).

The debate on how best to organize old age support in developing countries is growing; old age poverty is wide spread in growing economies. Informal sector and old age support mechanism (extended family) is becoming under increasing pressure from adverse economic conditions, lack of awareness, rural-urban migrations, HIV/ AIDS, and changes in household compositions. In the absence of member awareness interventions, older people and their households will continue to expand the ranks of the poor. This is occasioned by the fact that majority of people retiring seem not to be aware of their rights to retirement benefit schemes they subscribe to.

Employees’ retirement benefits schemes differ widely in terms of structure type of benefits provided and relative merits. The popular terms in common use are pension schemes, provident funds, contribution (money purchase) defined benefit, final salary and hybrids among others. Despite the fact that these terms are very familiar to many, a bigger number of those in membership of the schemes do not understand how the scheme works because they lack awareness on income needed to fund a comfortable retirement, let alone how to manage the savings paid upon retirement. A number of researchers have revealed that member awareness problem is real.
The study, therefore, sought to audit member awareness on the retirement benefits schemes to which they subscribe to while in employment and then come up with suggestions and solutions to enhance members’ awareness.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to audit members’ awareness on the retirement benefit schemes they subscribe to.

1.3.2 Specific Objectives

The study sought to accomplish the following specific objectives.

i. To determine the level of awareness of members on their retirement benefits schemes and their rights to scheme documents.

ii. To assess the efforts made to improve the employees awareness on the Retirement Benefits Schemes at KNLS.

iii. To establish members knowledge regarding contributory ratios by both members and sponsor.

iv. To ascertain the influence of member awareness on access to scheme benefits and management of their savings upon retirement.

1.4 Research Questions

The study attempted to answer the following questions:

i. What is the level of members’ awareness on the retirement benefit schemes and their rights to scheme documents at KNLS?

ii. What efforts are made to improve member’s awareness on the relevant benefits their scheme?

iii. How do member’s awareness regarding contribution ratios by both sponsor and members affect their views on the retirement benefits schemes?

iv. What are the effects of member awareness on claims access of Retirement Benefits?
1.4 Significance of the study

Retirement benefits schemes have become important savings in employees’ lives particularly at the time of retirement. A study on such initiative would benefit the contemporary society and the research would be of significance to the Government of Kenya agency. The RBA that is charged with the responsibility of sensitizing and training on retirement benefits schemes. RBA may use the study findings to arrange and organize members training programs on schemes matters through tailor made courses. Funds managers might also use the study to implement management practices that would enable them achieve the desired targets. This study finding would therefore help them strategize training needs that focus on members and in investment plans. The study finding would as well assist employees in understanding and embracing the retirement benefits schemes. This would enable them to adequately plan and prepare for retirement through improved savings to generate income needed to fund comfortable retirement. The study would as well assist in providing reference and literature materials to future researchers seeking to carry out further research on the field or related areas. This would bring development of knowledge in the area of study. There are certain areas in the study, which the researcher could not be able to cover exhaustively, and future researchers might use it as reference point.

1.5 Scope of the Study

The study coverage was an awareness audit of members of KNLS Retirement Benefits Schemes. It focused on the members’ awareness against variables such as scheme regulations, scheme benefits, rights to documents, contribution ratios and access to claims among others. The number of which was about 900.

Although ‘KNLS has a network of 42 branches, the study consideration was based and restricted to only 12 selected branches consisting 4 Provincial Libraries i.e. (Nairobi, Nyeri, Kakamega, Mombasa), 4 District Libraries (Thika, Eldoret, Wudanyi, Kisii) and 4 Community Libraries (Naivasha, Wajir, Ukwala, Ol Kalau) which was 30% of the total targeted branches to enable fair representative sample. The selected branches formed a
good basis for the study because employees in these branches are members of the KNLS staff Retirement Benefits Scheme. The map below shows KNLS branch network. The map below shows branch Districts all over the country.

KENYA NATIONAL LIBRARY MAP

Source: Kenal News, June 2007
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The RBA which has been given the mandate by the Government of Kenya to regulate the retirement benefit sector in Kenya has put more emphasis on security of scheme funds but RBA has not evidently addressed awareness of members in regard to scheme regulation, benefits of scheme; members right to document, contribution ratios, training programs and access to benefits. Where an organization empowers members on knowledge of their RBS, members are able to put in place individual retirement plans. In some organization, this acts as motivator to employees and may result to organizations being able to attract and retain motivated employees (Robin, 1999). This would then translate into increased production and the organization achieving its set goals. Today workers expect more than just wages and salaries from the employer. They want additional consideration that will enrich their lives (David Decenzo and Steven Robins, 1999).

A pre-retirement programme is one of the benefits that the employers can offer their employee in preparation for retirement. It is against this background that the researcher found it necessary to conduct audit awareness on members’ rights on their RBS at KNLS.

2.2 Main Review

2.2.1 Types of Retirement Schemes

A scheme can be defined as an equitable obligation, binding a person (a trustee) to deal with property over which he has control (the trust property) for the benefits of persons (beneficiaries) of whom he/she may himself or herself be one. A scheme will therefore be a “trust” which is created through the documented trust deeds and rules. It is also important to note that this document must be created within the provisions of the Retirement Benefit Act. The retirement can be categorized using the following parameters;
2.2.1.1 Pension and Provident Funds

A pension Scheme is a retirement arrangement that seeks to pay regular income at retirement. Pension plays a key role in old age support systems, but research and debate on pension policy has so far been biased and focused on contributory pension arrangement (a typical for early withdrawal in Kenya). Old age pension is designed to meet the risk of poverty in old age when an individual's capacity for work declines to a point where he/she is unable to earn sufficient for self-support. In contrast, a provident fund is an arrangement that seeks to pay a lump sum at retirement.

2.2.1.2 Defined Benefits and Defined Contribution

A defined benefits scheme is a retirement arrangement that guarantees a given benefit at retirement. This benefit can be expressed as a fraction of salary and service e.g. 1/40 if an employee participates in such a scheme for 40 years he would go home with the same salary as pension. Contributions therefore have no direct bearing on benefits promised as funding is done at scheme level as sponsor meets all the risk. On the other hand an arrangement that determines contribution rates upfront is known as defined contribution. Such schemes operate like savings accounts where members' retirement package is dependent on actual contribution plus investment income over the duration of membership. Members therefore bear the risk of guaranteeing their retirement benefits.

2.2.1.3 Hybrid Schemes

Hybrid schemes refer to arrangements that have features of both defined benefit and defined contribution schemes. This is structured on defined contribution basis but with a defined benefit underpin. Members are thus entitled to the higher of accumulated contributions or accrued benefits using the defined benefit formula.

2.2.1.4 Individual and Occupational Retirement Schemes

The individual retirement benefits schemes provides an important avenues for savings for workers whose employer has not started an occupational scheme, self employed professionals and workers in the informal sector, scheme members leaving service but
decisions of transferring their preserved benefits to another scheme, scheme members who need to top up their retirement savings, employers who do not want to start an occupational scheme for their workers but still wants to help them save for their retirement and anyone who is currently not saving enough for their retirement. Therefore a corporate body establishes individual schemes to admit individual members while occupational schemes refer to retirement schemes that membership are restricted to relationship with sponsoring organization. In addition members of these schemes enjoy all the protections enshrined in the retirement Benefit Act ensuring their benefits is safeguarded.

2.3 Retirement Management

KNLS Staff Regulation Manual (revised, 2003) considers retirement under the following condition; retirement on attainments of the age of 55 years which is the compulsory retirement age, early retirement after attaining the age of 50 years which is voluntary, retirement on medical grounds and retirement on public interest.

According to Nguu (2002) the age at which an organization decides to retire its employees vary considerably from the States scheme. Some adopts a policy of flexible retirement in which employee may leave early or may stay on after normal retirement age depending on their fitness and their continuing ability to fulfill their employment contracts.

However research established that most organizations prefers a fixed age because it makes Human Resource Planning easier and allows succession plans to be effected. Charleston (1988) stated that experts have identified two peak in death rates of retired men; one a few years after retirement (between the ages of 65 and 69), and a second man in their 80’s. “Some experts believe that if you can adjust to retirement, you will leave longer. Longevity they say is partly determined by how people deal with the shock that can set in after retirement”. This explains why it is important for organization to put in place training policies for their pre-retirees who in most cases happen to be the retirement benefits scheme members.
2.3.1 Retirement Shock

Retirement shock can be defined as the sudden and violent agitation of mental or emotional sensibilities a retiree experiences upon learning that he/she is due to retire from gainful employment (Kohil et al, 1991). The best way to understand why some people, particularly men, have a problem with retirement is to examine the psychological functions of work. People react to both voluntary and involuntary retirement in very different ways. Some close the door on their working life; they walk away, sometimes with anger and regrets but more often because they feel the need to move on and do something else. They report that they have never been so happy, busy and fulfilled and wonder how they spent so many years stuck in an office. When they retire they leave their friends and corporate identity behind them and find meaning and fulfillment in their new way of life. Such people try to keep a foot in the world of work by staying on part-time or working for nothing. Others look for jobs elsewhere or try to recreate the work environment at home. These people take years to adjust if they ever (William, 2003)

According to Fort and Hook (2002) some specific physiological benefits that work often includes; Work structure time, which imposes rhythm and a timetable. People crave regularity predictably and structure. Flexi time workers do not vary their pattern. Morning types always start early, evening types late and shift workers prefer a specific shift. They further observed that people who worked in institutions that are highly time regulated, such as schools, the military and monasteries; find more difficulties to adjust when they leave. Hook and Fort concluded that work is an important source of social contact, work provides many opportunities for highly valued social contact, work gives people a sense of mastery, creativity and control, work also makes people interdependent where you rely on them and they rely on you and work is an excellent place to find things to do that you enjoy.

2.3.2 Ethical Consideration

Retirement procedures should operate in accordance with the following principles ethical issues as defined by respect for an individual, mutual respect and fairness. Under ethical
consideration retirement policies are aimed at treating all employees fairly and not discriminating them in terms of gender, religion or ethnicity. Under the Pension Act, Cap 189/190, retirement ages are uniformly applied to all employees, regardless of gender.

2.4 Regulation and Supervision

Pension Adversary Center, Kenya (2000), indicates that a government that imposes a mandatory retirement savings system has an obligation to ensure that it is safe, works well, is simple, easy to understand and will deliver the promised benefits. This obligation is clearly stronger in developing countries where millions of affected workers may lack familiarity with the workings of modern financial markets.

The survey further observed that the major focus of regulation should be on prudential and protective norms and fiduciary standards. First are licensing rule that should ensure that only persons satisfying a stringent “fit and proper” test are allowed to act as sponsor, founders, directors, trustees or senior executives of pension funds. Other rules should require a specified minimum capital, asset diversification and market valuation, external financial audits and actuarial reviews and extensive information disclosure and transparency. Of particular importance are rules on adequate fund governance, well developed internal control systems, legal separation of the assets of the pension fund from those of the Management Company, and proper custodial arrangements. All these prudential and protective rules are necessary to ensure the financial soundness of pension funds, prevent fraud, self-dealing and other potential conflict-of-interest situations and safeguard the interest of workers.

The survey discovered that the above regulations are non-controversial, but are difficult to achieve. Ensuring an efficient and adequate supply of auditors, actuaries and custodians, not to mention, experienced examiners and supervisors is a tall order for most developing countries. In Chile, effective external custody of pension fund assets was secured by requiring all assets to be held with the central bank for safekeeping during the first ten years of the new system. Private custodians were allowed in the 1990s. The
development of automated central securities depositories in many countries around the world has simplified the requirement for safe external custody.

Other rules that have been practiced in Latin American countries are more controversial. The "one account per worker", "one fund per company" and uniform pricing" rules have aimed at ensuring simplicity and transparency and thus providing protection to workers but their usefulness is open to question. They could be justified in systems that offer constrained choice, although they should probably need to be supplemented with regulation and limits on operating fees, agent commissions and account switching. They would be out of place in systems that emphasize personal choice. In such systems, they would need to be relaxed in the longer run in order to offer more effective choice to workers. To ensure compliance with the whole panoply of prudential and protective regulations requires the creation of an effective, well funded property staffed and proactive supervision agency.

Following modern practice, the survey concluded that supervisor should enlist the support and cooperation of auditors, actuaries and custodians. In several high-income countries, pension fund supervision lacks adequate and reasonably up to date information and is slow to take corrective action. Given the very long-term nature of pension contract, it is imperative to develop a system of supervision i.e. proactive and effective stimulates transparency, and ensures compliance with basic prudential and protective rules. Those lacking social protection, tend to belong to economically weaker section of the society. The aim should be in the long run to extend the coverage to over 60% of the labor force in Kenya. Policies provide savings for retirement and old age should ideally use both tax incentives and compulsion to overcome the myopic behavior of a large minority of workers and society from those who make inadequate provision for their old age. Scheme members therefore need to be aware of all these aspects because they affect them directly.
2.5 Retirement Process and Training

The main purpose of retirement process is to provide clear guidelines to both the employer and employee on retirement procedures. The employer is required to prepare the employee by giving adequate notice, this would enable the retiree accept retirement with ease. At KNLS, pension administration is one of the responsibilities of the Human Resource Department. The retirement program is incorporated in the Staff Rules and Regulation manual (revised 2003). Pre-retirees are issued with a retirement notice one year before retirement date followed by another six months preceding retirement. The Trustees of the pension scheme are notified in order to commence calculations of the retirement pension dues. Most scheme members may not be having access to the scheme documents given that KNLS network is wide and services are centralized in Nairobi (Glueck, 1978).

According to National Blood Services (NBS) Retirement policy issued February 2003 retirement procedure should include, notification of retirement to member, retirement fellowship and pre-retirement courses. NBS recommended that employers should come up with plans that prepare an individual retiree for his retirement matters. An employee is issued with a twelve month his/her 65th birthday. The employer and the immediate manager are contacted by the Human Resource Department. The Human Resources Advisors manager invites the employee to a meeting to discuss preparations for retirement, including pension, availability of pre-retirement courses, and membership of the National Blood Service (NBS) Retirement fellowship.

All employees of the National Blood Services are eligible to join the NBS Retirement Fellowship. This fellowship prepares members spiritually, financially and psychologically for their journey home and thereafter.

Permanent employees are given reasonable opportunity to attend a pre-retirement course. The employees are given special leave with pay to attend the course, and the NBS service covers cost of fees for the course, and any additional travel cost at the appropriate rate. It is for these reasons that the schemes members should be actively involved in the affairs
of their respective schemes. The most common pre-retirement practices will include:

- explanation of social security benefits, leisure time counseling, financial and investment counseling, health counseling, psychological counseling, counseling of second careers inside the company (Dessier Gary, 2001)

Glueck (1978), at least six hours of intensive counseling is desirable. He describes a comprehensive pre-retirement program that includes six session of developing a healthy attitude for a happy retirement where the potential retirees are encouraged to keep mentally and physically active and programs designed to help, such as adult education and leisure time converted to happiness are discussed. In Kenya Retirement Benefits Authority has undertaken to prepare retirees for retirement. Under its program “Pre-retirement preparation” the authority conducts seminars for pre-retiree who are members of the pension schemes that are registered with it. The pre-retirees are normally taken through the following; retirement under which the pre-retirees are explained how their respective employers, should pay their pension dues to them attitude to retirement, coping with change and time management. This program does not take into account the manner in which specific schemes are operated.

Glueck, further stated that those who look ahead and prepare themselves enter retirement with little or no problem. Others are tremendously shocked and surprised at the changes, which retirement brings to them and they are the ones who suffer greatly. It is important therefore to ensure to ensure that members are saved from such shock and surprises by ensuring that they are well verses with schemes of operations.

William (2003), gives a checklist for the success of pre-retirement as: “At any age you develop a life strategy that includes your retirement years”. Write it down and share it with “significant” persons in your life. Revise it as your needs and situation change. Five years to retire you begin preliminary research on anticipated retirement cost. Secure report listing the estimated income you can expect from Social Security. Confirm your standing in the retirement benefits programs in the same day each year and review your pre-retirement analysis and make whatever changes are necessary to bring you to
retirement in good order and in final year before retirement, contact the Social Security office and find out your monthly retirement income benefits. Set daily, weekly and monthly goals for retirement activity. Then look forward with anticipation to a new status in life for which you have properly and joyfully prepared. Retirement Benefit Schemes in Kenya are not well established and hence the need to incorporate members’ ideas as the Pension industry expands.

2.6 Contribution Ratio

Dessier Gary (2001) the question that arises in this context is, which is the right /better contribution rate? The answer to this question depends on what is considered as an appropriate targeted pension level and on whether there exists a separate redistribute public pillar. Experience from Latin America suggests that a contribution rate for long-term capital accumulation of less than 5% would not be adequate.

In Chile the total contribution rate used to be 13-10% for long term capital accumulation plus a round 3% for operation fees and insurance premiums. In recent years, the latter started to fall reaching 2.1% in 2000. In Argentina the contribution rate for the second pillar amounts to 11-75% for long term capital accumulation plus 3.5% for operating fees and insurance premiums. In Mexico, the minimum contribution rate is 6.5% to the individual retirement account plus another 5% that is credited to an that correspond to around 2.5% of the average wage. Operating fees are deducted from these contributions but disability and term life insurance (which covers survivors’ benefits) that is operated by the traditional Social Security institution, and involves a premium of 2.5%.

In Hungary, the contribution rate to the compulsory funded pillar was initially set at 6%, with provision for its increase in two annual steps to 8%. However, the government that took office in 1999 has indefinitely postponed implementation of these provisions and has frozen the contribution rate of 6%. In Switzerland, there is no minimum required contribution rate. Swiss Law only requires that the employer contributions are at least equal to contribution of employees. In practice, employers cover two thirds of annual contribution. The minimum legal requirements are for credits to be made to the national
individual accounts based on a workers age combined with minimum national returns of 4% per year. Plans that achieve high investment returns may operate with zero contribution rates.

In general, a rate of 10% for long term capital accumulation would be adequate for a reasonable replacement rate of between 40 and 50 percent if investment returns exceeds wage growth rate by 3-2% points and if active working is at least twice as long as passive retirement life (the latter is calculated to include the life expectancy and benefits of dependent survivors – Vittas, 1993). A lower replacement rate will be achieved if the gap between the investment returns and wage growth is smaller or if careers are interrupted. Under these conditions a 10% contribution rate would still be adequate if the targeted replacement rate from the funded pillar amounts to 35%, and this implemented by a pension of similar magnitude from the unfounded public pillar (Vittas, 1993).

2.7 Pension Rights and Members Rights

Machira (2006), pensions are widely thought to be attractive tax shelters, which encourage savings for retirement. They allow people to save and accumulate investments returns without attracting current taxation. The establishment of Retirement Benefit Authority (RBA), the recognition given to the retirement benefits industry as the cornerstone of the economy in terms of mobilizing savings and tax incentives granted to retirement savings have significantly boosted the confidence Kenyans have in the industry. More Kenyans are willing to set aside their limited earnings for retirement. It is notable observation that Kenyans eager to save for retirement are not confined to high income earners but also include lower income earners both in the formal and informal sector. The equal protection and disclosure accorded to members regardless of the scheme types and design makes it easier for Kenyans to join schemes within their convenient reach.

He further observed that the employer pension contributions and wages and deductible business expenses under corporate income tax, employees enjoy deductible contributions before the employer and both are jointly allowable up to a maximum of the statutory
limit. Employer contributions within the statutory limit are not taxed as income to the employee unless a tax-exempt employer in which case employer contributions are not tax deductible and may additionally be taxable as employment benefits sponsors the Scheme. Pension benefits received at retirement or earlier are taxed under personal income tax rates. Benefits are subject to tax with the exception of the limited amounts, which can be paid on retirement or death as lump sum. The overall effect of pension taxation is to delay consumption or encourage savings. Earnings that are saved through a pension are not taxed until received in retirement.

Machira (2006) concluded that the two aspects of the tax advantage of pensions are income smoothing and the tax-exempt status of pension plan earnings. When pension income is taxed on a progressive tax scale, employees can avoid paying high marginal tax rates on withdrawal of pension contributions during their working lives and instead opt to pay lower marginal tax rates when they receive their pension during retirement.

2.8 Concept of Retirement Benefits Schemes and other Countries

Retirement is stopping to work after attaining a pre determined age or when an employee attains certain age and can no longer maintain the pace or not willing to work any longer. In Kenya, just like in many other countries, retirement especially in the public service is mandatory after attaining a certain age. In certain occupations and industries employees may retire at different ages. A case in point is the teaching profession and the judiciary. In teaching, especially at the university level, one may opt to retire and continue to work on contract so long as one is not senile. Judges can also stay on the bench as long as they are able to hear cases and deliver sound judgment. However, age is not an accurate determinant of an individual physical and mental condition or performance capability on the job (Nzuve, 1997).

He further affirmed that working constitutes the largest part of an individual’s life and it is only proper that at a given time, one stops working for paid employment or for earning a livelihood. The major problem is that the majorities of workers are not ready to divorce work until it is too late or may have not even prepared for a retirement, which does, not
know where to go and what to do after retirement. There are instances where one learns, relearns and over learns his job such that facing new challenges can be dangerous for the individuals as he/she may be working without thinking or being alert. This can endanger one self as well as colleagues while at the same time diminishing one’s productivity.

Both the employee and the employer should make adequate plans for retirement. It would not be surprising to find that very few employees or employers, if any, have made any retirement plans except under the compulsory retirement fund schemes or the National Social Security Fund (NSSF), which is a legal requirement for all employers with a certain number of employees. The majority of workers have no plans of how to meet their financial needs after working life is over. It is the responsibility of employers to make retirement plans for their employees. Employers should also educate employees on how to plan for their retirement and how to spend their retirement years. Most retirees’ lives are cut short due to either change in life style, financial problems and frustrations upon retirement.

Nzuve concluded that, this should not arise if their former employers had planned and educated them on retirement matters. He recommended further that employee awareness campaign should top the agenda concerning retirement and their benefits schemes.

According to Kenya National Library Services Staff Retirement Benefits Schemes, Trust Deed and Rules, the scheme was established under irrevocable trust with effect from the first day of July, One Thousand Nine Hundred and Ninety Six (therein referred to as the “Commencement date”) and, with effect from that date, the sponsor appointed the Trustee to be the first Trustee of the scheme. The main purpose of the scheme is to provide retirement benefits to members upon their retirement from the Employers service and relief for the dependants of the deceased. The assets of the scheme consist of all contribution paid to the Trustees by employer and members and any other sums received by the Trustees for the purpose of the scheme. The research reveals that members’ knowledge on the above scheme is questionable for they are not trained or sensitized about the same.
2.8.1 Retirement Preparedness in other Economies

2.8.1.1 Canada
Canadians are extremely optimistic about their later years, and are most likely to associate retirement with freedom, happiness and satisfaction. Family, friends, good health and not having to worry about money are all views as extremely important in achieving a happy old age. Canadians support enforced additional private savings as the best approach to avoid a retirement funding short fall. Overwhelming, Canadians believe retirement is an opportunity for a whole new chapter in life. Canadians believe good preparation is the key to a satisfying retirement and know retirement preparation is their own personal responsibility. Most have served money especially for retirements, have reviewed their savings and investments needs and discussed their retirement preparation with professionals (Bosworth, 2004).

2.8.1.2 Germany
Germans view later life as a time of satisfaction, purpose and continued health vigor. Most view their elders in a positive light. Seeking mental stimulation and social connection from work, they are avid and methodological savers and planners and would agree that they are responsible for their own retirement costs. In fact, Germans are the most prepared when it comes to retirement. The vast majority of Germans support enforced additional private savings as the best approach to avoid a retirement funding shortfall. Germans are among the most likely to say that the government should enforce more private savings for they prioritize health as a source of happiness in later life, and perhaps because this is forefront in their minds, few expect to be unhealthy in their retirement. German employers are more likely to encourage full early retirement as they don’t attract older workers as they ‘don’t need to ’ (Bernhein & Gibson ,2002).

2.8.1.3 Mexico
Mexicans associate retirement with satisfaction, happiness, freedom and a time for rest and relaxation. Health, not having to worry about money and having strong religious, faith is what Mexicans deem important in achieving a happy old age. Most Mexicans would like to have a balance of work and leisure during their retirement, for both the
physical activity and the income. Mexican support enforced additional private savings as the best approach to avoid retirement funding shortfall. Most Mexicans say they have made arrangements for their care in later life or have calculated income sources. They take personal responsibility for preparing for their own retirement. Few are counting on their employers or government for much assistance. Serious concerns for Mexicans include security and health. Mexican employers are not doing enough to attract and maintain older even though they are strongly opposed to mandatory retirement ages (Garret, 2003).

2.8.1.4 United Kingdom

To the British, retirement years represent an opportunity for whole new chapter of life, freedom to do what they want, happiness and satisfaction. Being self-reliant and free of money worries very important to people in the UK, and they strongly feel that they neither should, nor will depend on their children or families in old age. They also don’t trust the government to support them, but instead take personal responsibility for planning and preparing for their retirement. As a result of these there are higher levels of preparedness for retirement in the U.K. However, people in the UK still see enforced additional private savings as the best approach to avoid a retirement funding shortfall. Pre-retirees from the UK ideally would like to spend their later years with friends and family, traveling, spending their savings and taking up a new hobby (Clark & Frazer, 2003).

2.9 Critical Review

Financial Education seminars and workshops that have been steadily increasing since 1980’s are mechanisms by which employees could obtain the facts and data they need in order to make informed and smart economic decisions for their financial futures. A number of studies have looked at the effects that workplace financial programs have had on retirement plans and savings as they relate to attitudes, intentions and changes in actual behaviours regarding retirement but failed to address members’ awareness (Bernheim and Garret, 2003).
Many studies showed that financial education improves participants' financial attitudes and intention to change behaviors. Harshley et al. (1998) discovered that financial workshops were effective in increasing the knowledge and improving the retirement planning of retirees. Research also suggested that participants report a variety of intention to make positive changes to their personal financial management after a financial seminar or workshop, including a desire to increase savings to start contributing to a retirement plan, and to pay down credit card balances (Taylor – Carter et al. 1997).

Ambrosio (2003), found that while financial education had an effect on respondents desire to alter retirement goals and/or retirement savings behavior, there was substantial disconnect between the stated intent to change saving behavior and the actual actions taking three months later of the 41% who said they would implement a supplemental retirement plan after participating in the seminar, 63% and not done so after a period of three months.

Bayer et al. (1996) suggested that workers employed by companies that had higher participation programs contribution rates to 401 (K) plans compared to companies with workplace financial education. They found that seminars were the most effective type of communication. In a recent survey of human resources and employment benefits, professionals, from large employers in the United States, 31.9% reported that there was an increase in participation rates in access of 5% and 29.7% reported that contribution as percentage of pay in excess of 5% increased by providing traditional group seminars on Retirement Planning Ernst & Young LLP Human Capital Practice, 2004).

Garman et al. (1999), found that workers also engaged in workplace financial education class valued the information that they received and personally attributed positive changes in their financial behaviors including making better financial decisions and becoming more diversified and aggressive in the managing of their assets. They compared those who attended workplace financial education workshops and those who did not but retirement savings were not included in the data analysis.
Some studies focused on the effects of workplace financial education on employees, retirement related savings. Bernheim and Harret (2003) investigated cross-sectional relationships between the availability of financial education provided by employers-based financial education increased savings in general as well as savings for retirement. However, they used the availability of workplace financial education to employees instead of actual participation in the programs, and the financial education in the workplace included a variety of methods such as seminars, professionals, assistance, or informative materials provided to assist employees with retirement planning. Lusarchi (2002) suggested that attending retirement seminars is a potentially important vehicle to influence the accumulation of both private and pension and Retirement study.

A study that examined the impacts of workplace financial education seminars by gender found that women were much more likely to alter their retirement goals and savings behavior (Ambrosio et al. 2003). Many financial workplaces are often offered to both employees and their spouses Ernst & Young LLP Human Capital Practice, 2004). However little is known about employees’ spouses, retirement’s savings as a result of workplace financial education.

2.10 The Conceptual Framework

The conceptualization of the study was based on the assumption that members’ knowledge on the Retirement Benefits Schemes would lead to increased savings and proper planning hence preparedness for the journey to retire. The dependent variable was member awareness on the Retirement Benefits Schemes. The independent variables were scheme regulations, benefits of schemes, rights of members to documents, contributions and suspension of benefits claims as indicated by figure 1.
2.11 Summary of Missing Gap

It was evident that Retirement Benefits Schemes initiatives have had positive effects not only on succession planning, but also on management practices and the attitude of fund Managers and Trustees. A lot of the studies done in this area focused on the retirees and the prospective retirees i.e. 0-5 years of retirement age. More emphasis had also been on the security of scheme funds. All these have so far been biased since concentration had been on pension policies and contributory pension arrangement. No documented research had been done regarding empowering members with the knowledge of the schemes from day of recruitment, hence the reason for this study.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the study design and methodology used in gathering information that was needed for the purpose of completing the study. It outlines the introduction, research design, and target population, sampling design, data collection instruments and procedure and data analysis criteria that were used.

3.2 Research Design

The study adopted descriptive as well as an explanatory research design because these allowed the use of primary and secondary data by relying on respondents’ views and opinions. This gives room for application of the study results in the entire Retirement Benefits Scheme sub-sector.

3.3 Target Population

The population of the study was the entire membership of KNLS Retirement Benefits Scheme.

Kenya National Library Services is a statutory organization established by an Act of Parliament Cap 225 of the laws of Kenya in April 1965; it is under the Ministry of Gender, Sports and Social Services. The first Board of Directors commenced its functions on 1st April 1967. Their mandate is to develop, promote establish and equip libraries in Kenya.

KNLS is also guided in its operations by the state corporation Acts Capt 446 of the Laws of Kenya and is also subject to Government regulatory rules. It has a network of 42 branches in Kenya located at Provincial Headquarters some Districts and some Divisional Headquarters. Each branch library has an average of 25 employees with an exception of Nairobi (Headquarters) with 150 staff. KNLS operates own employee benefits schemes, which ranges from Retirement Benefits, Groups Personal Accident, Group Life Insurance and Medical allowances among others. The KNLS Retirement Benefits Scheme is
managed by Stanbic Investment Company, Jubilee Insurance Company and Kenya National Assurance Company (KNAC, 2001). The Schemes is run by a Board of Trustees that comprises of four members representing the sponsor and four employees representing KNLS staff. These Trustees run the scheme under the guidance of the Trust Deed and Rules and in accordance with Retirement Benefits Authority Act (1997) regulations, the Trustee Act and Income Tax Act.

Like any other growing organization, KNLS should design a Retirement Benefits policy that would enable it to achieve its organizational goals. Such a policy would be important given that KNLS vision of being the leading National and Public Library in Africa and Mission which is to establish Library facilities and provide appropriate reading and information materials to all communities in Kenya, is information oriented. To achieve these, KNLS must win the commitment and participation of its employees. Members Knowledge on retirement benefits would therefore motivate employees and also enable KNLS achieve its Vision and realize its Mission. The study coverage is an awareness audit of members of KNLS Retirement Benefits Schemes. It focused on the members' awareness against variables such as scheme regulations, scheme benefits, and rights to documents, contribution ratios and access to claims among others.

Although KNLS has a network of 42 branches at the moment, the study consideration was based and restricted to only 12 selected branches consisting 4 Provincial Libraries i.e. (Nairobi, Nyeri, Kakamega, Mombassa), 4 District Library (Thika, Eldoret, Undanyi, Kisii) and 4 Community Library (Naivasha, Wajir, Ukwala, Olkalau) which is 30% of the total targeted branches to enable a reasonable representative sample. These branches are also located in different geographical locations. The study sought information from these respondents because they were in a better position to give information. The category of staff included in the study consisted of representation from both management and unionisable members.
Table 3:1. Target Population

<table>
<thead>
<tr>
<th>Category of Members</th>
<th>Population Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>Union sable</td>
<td>150</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2007

3.4 Sampling Design

A stratified random sample of 30% of the target population was considered for the study. The sample was members of Kenya National Library Services Benefits Schemes. Stratified random sampling was done based on the level or position of the staff. The sampling method was preferred since it helps to group the population subjects with similar characteristics on the strata (Magenta and Magenta (2003). This was as indicated in the table 3:2.

Table 3: 2. The Sample Design

<table>
<thead>
<tr>
<th>Category of Members</th>
<th>Sample Population Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Unionisable</td>
<td>45</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2007
3.4 Data Collection Instruments

The data was collected by use of structured questionnaires and interview for those who would not manage to complete the structured questionnaires. For members outside Nairobi, questionnaires were sent by Post and at a later date, the researcher visited some stations to collect the data and make clarifications. In Nairobi, questionnaires were hand delivered with an attached self-explanatory letter.

To ensure that there was no delay, the researcher made appointments with respective respondents. This was done at their own convenient time so that the respondents could concentrate more and give accurate information. During the interview, the researcher made sure that she created a conducive environment of communication by avoiding leading questions. The researcher would introduce the subject and explain briefly the significance of the study. The researcher guaranteed the respondents’ confidentiality.

3.5 Data Analysis

This process involved data processing, organizing, techniques and presentation.

3.6.1 Data Processing and Organization

This involved interpreting information collected from respondents once questionnaires were completed and collected from each respondent. The researcher pre-tested the questionnaires to ensure reliability and validity of the data collected. The researcher compiled them by use of data editing, data coding, and data tabulation.

3.6.2 Data Analysis Techniques

Data was analyzed quantitatively by describing or summarizing data using descriptive statistics to enable researcher to meaningfully describe distribution of scores or measures using statistics. Qualitative data from In-depth interview and Likert Scale were analyzed in a systematic way in order to come to some useful conclusions and recommendations. The researcher obtained detailed information about the study and tried to establish patterns, trends and the relationships from the information gathered. The researcher used
frequencies to enable arraying of data from the lowest to the highest Percentage measures of central tendency were also being used as the data analysis techniques.

3.6.3 Data Presentation

The analysis was presented in frequency tables, pie charts, bar graphs and descriptive analysis. Percentages were used to present the data in a clear and a more understandable way.

3.6.4 Ethical Considerations

Respondents were assured of their confidentiality by the researcher on all the information obtained from them. Anonymity was guaranteed by ensuring that the respondents did not write their names on the questionnaires.
4.1 Introduction
The purpose of this section of the research is to examine the structure and nature of the collected data and then separate it into parts with intention of classifying it on basis of its relationship with the variables so as to make it understandable in light of the awareness audit on RBS members, rights of knowledge at KNLS. The data analysis and presentation is done so as to help the researcher to be able communicate findings more effectively and efficiently. After obtaining the data from primary and secondary sources, the researcher then went ahead to classify it under qualitative and quantitative data. The data is presented in tables, graphs and pie charts.

4.2 Quantitative Data Analysis
Quantitative data analysis refers to a scientific method of investigation based on numeric data. This data is represented in form of numbers, numeric values, numeric levels and categories. This can be achieved through collecting numerical data on the observable behavior and subjecting such data to statistical analysis. The study to a greater extent constituted quantitative methodologies especially in closed ended questions.

4.2.1 Information regarding response rate

Table 4.1 Rate of Response

<table>
<thead>
<tr>
<th>Participant</th>
<th>Planned</th>
<th>Actual</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>60</td>
<td>49</td>
<td>82</td>
</tr>
<tr>
<td>Non response</td>
<td>0</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>
From the above table and the bar graph above, we conclude that the response rate was a success reporting 82% positive response to the study and only 18% did not return the questionnaires. This was considered appropriate since 60% response rate is considered as good response by researchers for data analysis and reporting (Reinard, 1998) The questionnaires contained both open and closed-ended questions.
4.2.2 Information on the Gender of Respondents

Out of 47 respondents, to the question on gender, 27 were male while 22 were female, as shown on table 4.2

Table 4.2 Gender Category

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>27</td>
<td>57</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

This Pie Chart shows that, 57% of the respondents were male while 43% were female. This shows that large number of males responded positively compared to females. These results portrays that Kenya National Library Service has more male employees, hence more are members of the RBS.
4.2.3 Information regarding departmental origin

The following table and graph shows the various departments where questionnaires were administered.

Table 4.3 Departmental Origins.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Human Resource</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Library</td>
<td>39</td>
<td>80</td>
</tr>
<tr>
<td>IT</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Administration</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Audit</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007
The results indicate that majority of the respondents were from Library section and this is represented by 80%. The rest were from Human Resource departments with 8%, Finance with 6% while Administration, IT and Audit department were represented by 2% respectively. This shows that library was the major department with majority members of KNLS Retirement Benefit Scheme.

4.2.4 Information about Number of years remaining for member retirement

The respondents had been asked to indicate the number of years they are remaining before they retire.

Table 4.4 Years to retirement of the respondents

<table>
<thead>
<tr>
<th>No. of Years to retire</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 5</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>6 to 10</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>11 to 15</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>16 &amp; above</td>
<td>28</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007
Most of respondents fall within 16 & above to retire and this is represented by 57%. This is followed by those remaining with 11 to 15 years retire. 16% have 6 to 10 years to retire while only 5% are due to retire in the next 1 to 5 years. This therefore calls for serious training for the entire membership of retirement benefit scheme at KNLS.

4.2.5 Information regarding member knowledge on scheme fund manager

The respondents were required to name the institutions that manage their scheme funds. Out of the 49 respondents, 43 indicated that they know their fund Managers while only 6 said that they do not know; as indicated by table 4.6.

Table 4.5 Knowledge on fund manager

<table>
<thead>
<tr>
<th>Knowledge on Fund Manager</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>43</td>
<td>88</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007
From the above table and bar chart it is evident that majority of the respondents have knowledge of the organizations, which manages their scheme funds, and this is represented by 88%. The remaining 12% do not know which organization manages their scheme fund.

4.2.6 Information Regarding Member Knowledge on both Employer and Employee Contribution Ratio

Table 4.6 Knowledge on Contribution Ratio

<table>
<thead>
<tr>
<th>Contribution Ratio</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aware</td>
<td>24</td>
<td>49</td>
</tr>
<tr>
<td>Not Aware</td>
<td>25</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007

It is evident from the table and supported by the graph above that majority of respondents are not sure of the contribution ratio even though they know that their scheme is contributory in nature. This is represented by 51% against 49% of those who are sure of both their contribution and that of their employer.
4.2.7 Information about Member Training on Retirement Benefits scheme they subscribe to

Table 4.7 Members Training

<table>
<thead>
<tr>
<th>Trained Members</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>17</td>
<td>35</td>
</tr>
<tr>
<td>No</td>
<td>32</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007

35% of the respondents have attended training session on retirement benefits schemes at KNLS and know what it is and the expectations of the scheme, 65% have not attended any training on retirement benefits schemes hence the government through RBA should devote more effort on sensitizatising members about retirement schemes and their benefits.
4.2.8 Information regarding Member Participation as a scheme Trustee

Table 4.8 Member Participation

<table>
<thead>
<tr>
<th>Member Participation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>No</td>
<td>44</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007

From the table and the pie chart above it is evidenced that majority of the respondents have not had enhance to serve as trustee of their retirement benefit scheme funds and this is represented by 90%. Only 10% of the respondents have served as trustees despite the fact that trustee role is rotational among members.
4.2.9 Information regarding members rating on rights to document at KNLS

Table 4.9 Members rights to document

<table>
<thead>
<tr>
<th>Rights to document</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much better</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Better</td>
<td>35</td>
<td>72</td>
</tr>
<tr>
<td>Worse</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>No right</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The level of members' rights to document at KNLS is relatively high as is evidenced by the majority of respondents supporting that it is better. This is represented by 72% saying it is better and 10% saying it is much better. Only 18% allege that members right to
document is not attended to, this is portrayed by 8% saying it is worse and 10% saying that there is no member rights to documents.

4.2.10 Information about speed level of claim processing to a retiring member

Table 4.10 Claim processing Speed

<table>
<thead>
<tr>
<th>Claim processing Speed</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Average</td>
<td>27</td>
<td>55</td>
</tr>
<tr>
<td>Very Low</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Not sure</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2007

The table and chart above shows that claim processing speed to a retiring member is averagely fast as is supported by 55% and 12% of the respondents respectively. The remaining 14% claim that the speed is very low while 19% are not sure of what comment to volunteer.
4.2.11 Information regarding the overall assessment of members knowledge on scheme benefits at KNLS to date

Table 4.11 The overall assessment of members knowledge on Scheme Benefits

<table>
<thead>
<tr>
<th>Members knowledge on Scheme Benefits</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much Better</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Better</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Average</td>
<td>23</td>
<td>47</td>
</tr>
<tr>
<td>Very Bad</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The table and bar graph show that the overall assessment of members in regard to knowledge on benefits of the scheme is averagely high as is evidenced by 47% of members supports that their awareness is average, 31% say it is better while 6% say it is much better. Only 6% allege that member’s knowledge on scheme benefits is very bad at KNLS while the remaining 10% say they don’t know.
4.3 Qualitative Data Analysis

These are the analysis from the unstructured questions of the questionnaires and they gave the respondents an opportunity to freely express their opinion. This data is judgmental in nature and the analysis can be presented as follows:-

4.3.1 Scheme Regulation

Majority of the KNLS Retirement Benefits Scheme members agree their scheme regulations have impacts on improving members knowledge on the Retirement Benefits Schemes they subscribe to only a bountiful of members interviewed allege that the scheme regulations have low impact on members awareness.

4.3.2 Right to Documents

Most members of KNLS RBS argued strongly that members right to documents of the schemes have greater impacts on improving member’s awareness. Minority of those interviewed said right to documents have little impacts. This implies that right to documents should be enhanced among members of the scheme so that they may exercise their rights freely.

4.3.1 Scheme Benefits

Many of the interviewed members of KNLS Retirement Benefit Scheme agreed that Scheme Benefits impacts very well as far as improving members knowledge of schemes they subscribe to but just a few refused that Retirement benefits impacts lowly on improving members knowledge. This therefore implies that scheme benefits is greater factor to be considered for improving member knowledge and when the benefits are better members can even contribute extra.

4.3.2 Contribution Ratio

Most of members investigated agreed that contribution ratios of sponsors and Employees have positive impacts on improving member knowledge on the Retirement Benefits they subscribe to. This implies that the ratio should be greater to take care of a comfortable
retirement life of members. Only a few of the members allege wildly that contribution ratio has impact on member knowledge improvement.

4.3.3 Access to Benefits
More than a half of those who were interviewed through questionnaire supported the fact that members access to benefits have positive impacts on improving members knowledge on the Retirement Benefits Schemes but a few agreed that access to benefits alone is not a fact of enough to improve member knowledge on the same. This explains that its important to enable members access the benefits easily at maturity.

4.3.6 Training Programmes
From the data collected it observed that most respondents agreed that training Programmes on have positive impacts on improving member’s knowledge on the scheme they subscribe to, while the remaining respondents said training programmes have low impacts on improving members awareness. This implies that Training can be an important tool to improve member awareness.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction
The main purpose of this section study is to give a detailed analysis of the findings that were discovered by the researchers in the event of conducting the research. The summary of the findings was done in the light of the variables of the study. The information was then used to give conclusion on what the researcher achieved in carrying out the research in this study whose the main purpose was to audit member awareness on the retirement benefit scheme in Kenyan with special reference to KNLS Retirement Benefit Scheme. The following specific objectives were pursued:

Objective One: To determine the level of awareness of members on their retirement benefits schemes and their rights to scheme documents

Objective Two: To assess the efforts made to improve the employees’ awareness on Retirement Benefits Schemes at KNLS.

Objective Three: To establish members knowledge regarding contributory ratios by both members and sponsor.

Objective Four: To ascertain the influence of member awareness on access to scheme benefits and management of their savings upon retirement.
5.2 Major findings

The study discovered that most members of the KNLS retirement benefit scheme do not understand the scheme regulations, their rights to scheme documents, scheme benefits, contribution ratio, how to access the scheme benefits at retirement and they have not attended adequate training regarding retirement and its benefits thereof. Members are a key line of defense in the enforcement of the Retirement Benefits Act through their role in whistle blowing, filing complaints, monitoring and agitating for better management of their schemes. Members, however, can only play this role if they are aware of their rights, and participate actively in scheme affairs.

The following is the summary of the study findings:

5.2.1 Scheme Regulations

The study established that majority of the KNLS members of the Retirement Benefits Scheme understand the regulations of their scheme, even though they have not had adequate training.

5.2.2 Rights to documents

The study revealed that members knowledge on right to scheme documents is relatively high. Majority knew that the documents exist but have not had a chance of studying or going through them.

5.2.3 Scheme Benefits

The study established that more than half the members of KNLS Retirement Benefits Scheme do understand the type of benefits they are entitled to. Only a handful do not understand the benefits derived from the scheme on maturity.

5.2.4 Contribution Ratio

The study found out from the respondent that, most members are not aware of the contribution ratio. Half the respondents did not know what proportion the employer nor the employee contributes towards the scheme.
5.2.5 Access to Benefits
The study established that members' access to benefits at retirement is averagely fast upon maturity. This implies that claims payments got with ease by members upon retirement or by next of kin in case of members death.

5.2.6 Training
The study revealed that most members of KNLS Retirement Benefits Scheme have not gained adequate training on the overall operations of their scheme.

5.3 Answers to research questions

5.3.1 On the question – What is the level of members’ awareness on the retirement benefit schemes and their rights to scheme documents at KNLS?
The study revealed that the level of member awareness on retirement benefit scheme and their rights to scheme documents is very low as is supported by the fact that majority of the respondents lack knowledge on how the retirement benefit scheme they subscribe to operate and they are not aware of their rights to access the scheme documents.

5.3.2 On the question – What efforts are made to improve member’s awareness on the relevant benefits their scheme?
The study established that very little efforts have been made to improve member’s awareness on the scheme operations and processes. This is evidenced by the fact that the majority of the respondents argue that they have not received any training on matters pertaining to their retirement benefit schemes.

5.3.3 On the question – How do member’s awareness regarding contribution ratios by both sponsor and members affect their views on the retirement benefits schemes?
The study discovered that majority of the respondents do not know and understand their scheme contribution ratio despite the fact that their scheme is contributory in nature. This
is supported by the fact that only a limited number of respondents indicated correctly both their contribution and that of the sponsor.

5.3.4 On the question – What are the effects of member awareness on claims access of Retirement Benefits?
The study established that the member’s awareness on claim process speed and procedures on retirement benefits has been very low. This is again evidenced by the fact that most of respondents claim it is very difficult and slow to access their retirement benefits on retirement and death.

5.3 Conclusion
Based on the findings of the researcher, it is clear that member awareness of the retirement benefit scheme at KNLS is very low as most members claimed that they have not received adequate training on retirement issues such as scheme regulations, right to document, scheme benefits, contribution ration and access to benefits upon maturity. The member awareness on the retirement schemes if left unchecked can lead to declining membership hence beating the purpose for which the scheme was established. The sponsor should therefore initiate frequent training programmes to employees.

5.5 Recommendations
In light of the study findings and conclusions drawn regarding the member awareness of knowledge, the researcher proposes the following recommendations.

5.5.1 Training
A very comprehensive training programme is required to improve scheme members’ awareness on their rights and obligations at KNLS. Members should be empowered with the knowledge to enable them understand their scheme through continuous training. The RBA Act is continuously being amended, and these amendments should be brought to the attention of scheme members in good time, to enable them keep in pace the development of the Retirement Benefits industry. It is “argued that Ignorance of Law is no defense”, therefore the scheme members should be facilitated in accessing relevant materials and information that relate to their scheme. RBA Act is one of the major documents that
affect the operations of any registered scheme and its contents should be availed to every member.

A standardized training manual should be developed to provide for uniformity in Member Training. Each member should be provided with an information booklet that gives concise information on scheme matters. The booklet should be regularly updated to reflect any scheme management change.

5.5.2 Information Sharing

Information sharing on RBS matters should be disseminated through continuous publishing of newsletters. Forums could be organized where Trustees, Scheme Members and Service Providers can use to share experiences and updates on scheme legislations.

5.5.3 Young People

Since the study established that a large number of members are young and have more than 16 years to retire they should be encouraged to build up an integrated savings scheme so as to take into account the cost of maintenance of a young family, the education cost for their children, and retirement costs. The Government is encouraging Scheme Members to purchase residential homes by allowing them to use the retirement benefits accrued contributions to secure housing mortgage loans. However, securing mortgage through scheme contributions should be done with caution because of the short-term and Contractual nature of the jobs for these times. The task must start early to enable service the mortgage with ease. For the same reasons, it would be economically beneficial for in the long-term interests of the children education and family requirements young couples would start assets formation and other financial savings that are geared towards earnings and growth, rather than towards good living and luxury.

5.4 Room for further studies

This study should act as a challenge to other scholars of social scientific management on retirement benefits schemes and other related topical issues to improve member awareness and empower prospective retirees to prepare for comfortable retirement life.
REFERENCES


Retrieved October 1, 2004 from http://www.prc.wharton.upenn.edu/prc/prc.html


APPENDIX ONE

LETTER OF AUTHORITY

KNL/PF/571

22nd August 2007

TO: All Branch Librarians
    Heads of Department

PERMISSION TO CARRY OUT RESEARCH ON “AN AWARENESS AUDIT ON RETIREMENT BENEFITS SCHEME MEMBERS’ RIGHTS OF KNOWLEDGE AT KENYA NATIONAL LIBRARY SERVICES”.

This is to inform you that Mrs Miriam W. King’ori has been authorized to carry out research study on ‘An Awareness Audit on Retirement Benefits Scheme Members’ Rights of Knowledge at KNLS’. She has selected some branches and departments where she will administer questionnaires to staff.

Kindly give her the necessary assistance to enable her achieve her research objective.

Yours faithfully

T. O. ODHIAMBO
FOR: DIRECTOR
APPENDIX TWO

LETTER TO THE RESPONDENTS

Dear Respondent,

The researcher is a student at Kenyatta University and is taking a study on “Awareness Audit on Retirement benefits Scheme Members’ Rights of Knowledge at Kenya National Library Service.’

Other than for academic reasons, this information will also help in improving the scheme members’ knowledge on the Retirement Benefits. Your Branch/Department is one of those under study and your views are being sought to help the researcher make suitable recommendation that can be used to improve members’ knowledge in Kenya National Library Service.

The success of this research will greatly depend on your honest contribution.

Yours Faithfully

Miriam King’ori
APPENDIX THREE
QUESTIONNAIRE

Instructions
i. Kindly complete all the questions.

ii. In order to guarantee confidentiality, please do not indicate your name on this form.

iii. Tick where appropriate

SECTION I
BIODATA

Background information
1. Gender

Male □ Female □

2. Which Retirement benefits scheme do you belong to?

3. What department and what is your position there?

4. How many years are left for your retirement?

1 - 5 □ 6 - 10 □

11 - 15 □ 16 & Above □
5. What do you understand by Retirement Benefit Scheme? (Give its main elements and brief description)


6. Have you attended any training session on Retirement Benefits Scheme?
   Yes [ ] No [ ]

7. If yes how adequate was the training?
   Very Adequate [ ] Adequate [ ]
   Inadequate [ ] Very Inadequate [ ]

8. In your assessment what is the level of RBA interference in the management of Retirement Benefits Schemes by Trustees?


9. Please kindly rate the impact of the following factors on improving member awareness on retirement benefit scheme. [Use 1 = Very High, 2 = High, 3 = Average, 4 = Low]
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<thead>
<tr>
<th>Items</th>
<th>Ratings</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
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<tr>
<td>Scheme Regulation</td>
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<tr>
<td>Rights to Documents</td>
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<tr>
<td>Scheme Benefits</td>
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<tr>
<td>Contribution Ratios</td>
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<td>Access to Benefits</td>
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<td>Training Programmes</td>
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10. How is member’s right to documents rated by your retirement benefits scheme?

   Much better  Better  
   Worse        No Right

11. What is the speed level of claims processes to retiring member?

   Very high speed  
   Very low speed   
   Average          
   Not sure         

12. As a member what is your overall assessment of members’ knowledge on the benefits of the scheme at Kenya National Library Services todate?

   Much better  Better  
   Very bad     Average  
   Don’t know   

13. State the difficulties members face when it comes to access to benefits claim on retirement?
14. Give suggestions to improve members’ awareness on the retirement benefits scheme of KNLS?