

CORPORATE GOVERNANCE AS A STRATEGY TO IMPROVE
PERFORMANCE IN PENSION FUNDS: A SURVEY OF KENYA
POWER PENSION FUND

BY

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UNITED STATES INTERNATIONAL UNIVERSITY

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A Project Report Submitted to the Chandaria School of Business in
Partial Fulfillment of the Requirement for the Degree of Master of
Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2014

STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: _____

Date: _____

Henry K. Kyanda (ID 600065)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: _____

Date: _____

Mr. Fred Newa

Signed: _____

Date: _____

Dean, Chandaria School of Business

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ABSTRACT

This study sought to determine whether corporate governance can be used as a strategy to improve the performance of Kenya Power Pension Fund. Specifically the study sought to determine whether good corporate governance practices have improved administrative efficiency, investment returns and improved Kenya Power's ability to attract and retain employees as key parameters of performance.

The study was a descriptive research. The population of this study was Trustees, employees and members of the Kenya Power Pension Fund from whom a sample of 50 respondents were used. In this study, members of the pension fund were sampled using probability sampling while the Trustees and employees of the Pension Fund were sampled using non-probability sampling. A combination of primary and secondary data was used with primary data being collected using a questionnaire and a structured interview guide. Data for the research study comprised both quantitative and qualitative data.

The study found that the Pension Fund has implemented good corporate governance practices as 90% of respondents agreed that the Fund prepared audited financial statements and made them available to members and carried out internal audits. The fund had also formed board committees to deal with specialized matters and had developed and adopted a code of corporate governance practices.

The findings of the study in relation to administrative efficiency showed that 83% of respondents agreed that efficiency had improved as demonstrated by the fund having more regular updates on services offered, improved query resolution, enhanced communication and improved services to members. Findings related to investment returns showed that 84% of the respondents agreed that the Fund's assets were more diversified in different asset classes, the Fund has improved on reporting on the status of investments and the Fund has increased its reliance on relevant professional advisors in making investment decisions. Findings related to whether there was an improvement to Kenya Power's ability to attract and retain employees showed that 85% of the respondents agreed that employees of Kenya Power did not leave employment due to the accountability of the Pension Fund's Trustees and the level of pension benefits paid by the Fund.

The study concluded, which was generally in line with previous studies and existing literature on the topic of corporate governance and pension fund performance, that corporate governance

practices adopted by Kenya Power Pension Fund had a positive effect on the administration efficiency and investment returns of Pension Fund both of which had improved. It was also determined that corporate governance practices in the Pension Fund had a positive effect on Kenya Power's ability to attract and retain employees.

The study recommends that the management of Kenya Power Pension Fund should continuously evaluate the implementation of corporate governance practices and undertake necessary corrective action in order to avert any corporate governance weaknesses. The management of Kenya Power Pension Fund should also be exposed to regular training on corporate governance practices which will enhance administrative efficiency and improve service delivery. The management of Kenya Power Pension Fund should also comply with the local and international regulations governing the management of Pension Fund scheme which would increase the member confidence in the Pension Fund as well as contribute towards the Fund's improved investment returns. The study also recommends that the management of Kenya Power should always pay attention to the corporate governance practices of the Pension Fund which was a key determinant in attracting and retaining its employees. For future research, the study recommends that similar studies be done in all pension funds in Kenya for comparison purposes and to allow for generalization of findings regarding the contribution of corporate governance practices to improved performance of pension funds.

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I also appreciate the guidance and contribution of my colleagues at work as well as my fellow students in my MBA class.

I also wish to greatly appreciate my dear wife Trixie for her encouragement and support throughout the project without which this study would not have been possible.

DEDICATION

I dedicate this report to my dear wife Trixie, our new born daughter Elianna and our two sons Dylan and Jaban. May God Almighty bless you immensely.

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LIST OF ABBREVIATIONS

CEO	:	Chief Executive Officer
CEE	:	Central and Eastern European
CMA	:	Capital Markets Authority
DC	:	Defined Contribution
DB	:	Defined Benefits
EFRP	:	European Federation for Retirement Provision
GDP	:	Gross Domestic Product
IOPS	:	International Organisation of Pension Supervisors
NSE	:	Nairobi securities exchange
OECD	:	Organization for Economic Co-operation and Development
PAYG	:	Pay-as-You-Go
RBA	:	Retirement Benefits Authority
RB Act	:	Retirement Benefits Act, 1997

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The need for good corporate governance practices in order to limit conflicts of interest between an organization's management, its board, its shareholders, and other stakeholders, and especially the costs generated by such conflicts, is not a new phenomenon. Over the last decade, there has been renewed interest in the corporate governance practices of organizations, following collapses of large organizations and financial markets around the globe (Arjoon, 2005). These collapses have led regulatory authorities, investors, shareholders and other stakeholders to pursue enhancement of corporate governance practices whose limitations have widely been identified as the primary cause of many of the high profile corporate collapses such as WorldCom, Anderson, Enron and Parmalat (Arjoon, 2005) as well as the 2007-2008 financial crisis (Kirkpatrick, 2009).

The World Bank defines corporate governance as the structures and processes for the direction and control of companies. Corporate governance concerns the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital (World Bank, 2010).

Pension funds can be defined as a type of institutional investor that collects, pools and invests funds contributed by the pension plan sponsors and pension plan members to provide for the future pension entitlements of members (Davis 1995). Pension funds therefore enable employees to accumulate saving over their working life so as to finance their consumption requirements when they retire (Davis, 2000). Pension funds have grown strongly in recent years in many OECD countries as well as in emerging markets, both relative to GDP and compared to banks and have become key financial intermediaries due to their significant holdings in financial assets, which include domestic and foreign holdings of equities, government bonds, real estate, corporate debt, money market instruments and deposits (Archer, 2011).

According to the Global Pension Asset Study Report of 2013, the total retirement benefits asset for thirteen major pension markets covered in the study, as at the end of 2012 was US\$ 29,754 billion which was over 78.3% of the GDP of the surveyed countries representing an

increase of 8.9% compared to the 2011 fund value. The United States continued to be the largest market with total assets of USD 16,851 billion followed by Japan with US\$ 3,721 billion and the UK with US\$ 2,736 billion together accounting for over 78.3% of total assets. South Africa, the only African pension market covered in the study, had assets totaling to US\$ 252 billion representing only 0.5% of total assets (Global Pension Assets Study Report of 2013).

There is a scarcity of data on the pension fund market in Africa; including total value of funds, number of contributors, number of public and private funds, and the types of pension funds. It is reported that the vast majority of pension fund assets held in Africa are held in the two large economies located on the extreme north and south of the continent, Egypt and South Africa (Wright, Stevens and de Ferranti, 2011). Although most sub Saharan African countries do not have significant publicly managed pension and social security systems, there are a limited number of countries such as Botswana, Mauritius, Ghana, Namibia, Lesotho, Nigeria and Kenya that have pension coverage. In these countries, the pension plans are mainly offered to formal sector workers either by public service pension schemes, national schemes covering private sector workers, occupational schemes managed by private sector employers or by voluntary personal pension funds (Stewart and Yermo, 2009).

In Kenya, the retirement benefits assets have increased over time, with assets growing from Kshs 117.4 billion (US\$ 1.3 billion) in 2002 to Kshs 548.8 billion (US\$ 6.4 billion) in 2012. The assets comprised of Kshs 436.7 billion held by fund managers, Kshs 82.1 billion held by the National Social Security Fund (NSSF) and an additional Kshs. 30 billion of property investments held by schemes but not under control of the fund managers (RBA, 2013).

The pension industry has had its share of corporate governance related challenges in spite of the fact that pension funds have an organizational structure in which the interests of the stakeholders are well-aligned; with a majority of pension funds being governed by representatives of employers and employees, which is deemed to encourage decisions that are in the best interests of members (European Federation for Retirement Provision [EFRP], 2010). Various studies and surveys have identified general governance challenges that affect the pension fund industry. Amberchtsheer, Capelle and Lum (2006) are among researchers that have carried out research into pension fund governance covering pension funds globally. The study found that governance practices were improving but that there were still many persistent challenges.

The OECD has been deliberating on pension fund governance issues since 2000 with guidelines on the same being approved by OECD's Working Party on Private Pensions in the year 2001 and were released as an OECD recommendation in 2005 (OECD, 2005). Since then, the profile of pension fund governance has risen and become a key policy agenda with many countries making regulatory changes to strengthen the management of pension funds to align them with the OECD guidelines (Stewart and Yermo, 2009).

Good corporate governance practices have increasingly been recognized as important aspects on an efficient pension fund, enhancing investment performance and securing members' benefits. For example, in a study, Ambachtsheer et al. (2006) showed how good governance and good performance are linked. Using pension funds based in Australia, New Zealand, Canada, the United States and Europe, their analysis was based on pension fund executives' own opinions of how their corporate governance practices were positively affecting performance.

There are numerous positive results of good corporate governance practices that include creating trust amongst all stakeholders, reducing the need for rigid regulation, and facilitating supervision (Stewart and Yermo, 2008). As a result of the crisis in the OECD countries that led to losses of pension funds, a large number of countries' regulatory authorities began paying attention to how private pension funds were managed (Rudolph, Hinz, Antolin and Yermo, 2010) with a view of making reforms to pension fund regulations.

Many African countries have recently initiated reform of their pension and social protection systems (Stewart and Yermo, 2009). Over the last decade, Kenya has also undertaken a major reform of parts of its pension system. Whereas the primary motivation for reform of pension systems in many countries worldwide has been to address the growing fiscal burden of pension liabilities, in Kenya the major driver for reform was to strengthen the governance, management and effectiveness of the existing pensions system (Raichura, 2008).

Pension systems in Kenya were first put in place after independence in 1963. The first post independent pension fund body, the National Social Security Fund (NSSF), was established in 1965. Despite the early establishment of a national pension fund, the pension fund sector in Kenya remained fairly unregulated until the enactment of the Retirement Benefits Act, 1997 (RB Act) and the establishment of the Retirement Benefits Authority (RBA) in 2000 (Raichura, 2008).

Prior to the enactment of the Act there was no effective regulation and supervision. The interests of members of pension funds and their beneficiaries were not sufficiently protected; there was poor administration and investment of scheme funds; and in the majority of pension funds there were cases of mismanagement and outright misappropriation (Raichura, 2008). The Centre for Governance Development (2005) contended that as a result of corporate governance problems, the NSSF fund had been dogged with many intricate challenges that have negatively impacted on its returns.

Numerous regulations and legislation have been enacted since the enactment of the initial legislation and regulations in 2000. The new legislative and regulatory framework has had an emphasis on improvement of corporate governance practices, with requirement for pension funds to conduct audits, make financial disclosures, convene annual general meetings for members and make returns to the RBA being key tenets of the legislation (RB Act). More recently, the RBA launched the pension trustee development program (Kenya) that would be used to vet trustees in accordance with the Retirement Benefits Regulations chapter 8 (1) section C which stipulates that at least one member of the board of trustees of a scheme be vetted by RBA to provide trust services (RB Act). According to the RBA the foundation stone for the trustee development program is that trustees would have a good understanding of what constitute good governance.

The Kenya Power & Lighting Company Limited (Kenya Power) as a Sponsor established a Staff Retirement Benefits Scheme (Pension Fund) by a Trust Deed dated 1 January 1971. The Pension Fund was formed for the employees of Kenya Power then known East Africa Power & Lighting Company Limited (Kenya Power Pension Fund, 2012). Following an actuarial valuation undertaken at the end of the year 2002, the Pension Fund was determined to be financially unviable and the Sponsor gave notice to the Trustees of its intention to discontinue making contribution to the Pension Fund. The Pension Fund which had accumulated an actuarial deficit of Kshs. 5.2 billion and required major restructuring to enable it meet its obligation of paying retirement benefits to its members (Kenya Power Pension Fund [KPPF], 2010).

Through the concerted efforts of the Board of Trustees and the Sponsor, a restructuring plan was prepared and implemented. The restructuring included the injection of additional funds to the Pension Fund by the Sponsor, adoption of prudent investment strategies and enhancement of corporate governance practices by the Trustees (KPPF, 2010).

The Board of Trustees in their strategic plans for the periods 2006 to 2010 and 2011 to 2015 had identified establishment of best practice governance structures as among the key strategic objectives for the Pension Fund. The strategies to be implemented to achieve the corporate governance objective included developing and implementing best corporate governance practices; enhancing capacity through trainings; having appropriate policies and procedures in place; reporting to the stakeholders that include Kenya Power and the Retirement Benefits Authority; and preparation and adherence to annual Board plans.

1.2 Statement of the Problem

During the last decade, various scholars have found positive association between better corporate governance practices and firm market value and performance (Clark and Urwin, 2007; Clapman et al., 2007; Mercer Human Resource Consulting, 2006). On the contrary, the impact of corporate governance practices in pension funds' on its performance has not received much attention in empirical research (Kowalewski, 2010).

In a study of a sample of large pension funds (over US\$5bn in assets) from 6 different countries dispersed across North America, Europe and Asia-Pacific, Clark and Urwin (2007) conclude that their superior performance is linked to strong governance. Their study identified various areas where the funds analysed excelled, such as clarity of mission and effective risk management and performance monitoring (Clark and Urwin, 2007).

However, despite increased understanding of the importance of good governance for pension funds, problems still remain. In recent years, pension fund governance issues have been the subject of debate and discussion. In Ireland, the Pensions Board produced a review in 2006 of the trustee structure of governance (Pensions Board, 2006). The Irish report identified some weaknesses such as the small size of some pension funds, wide variation in awareness and understanding of trustee responsibilities and conflicts of interest among trustees. Stewart and Yermo (2008) reviewed pension fund governance in South Africa and identified major knowledge gaps in management, weak board discipline, and conflicts of interest among consultants and asset managers that went unaddressed, leading to a decline in performance of pension funds. In Kenya, the Centre for Governance Development (2005) contended that as a result of corporate governance problems, the NSSF fund had been dogged with many intricate challenges that have negatively impacted on its returns.

Various scholars have identified administrative efficiency as a key determinant of performance of pension funds. Bikker and Dreu (2009) identified administrative and investments costs of private pension funds as immensely important to both employees and employers, as they they had the potential to erode the value of wealth accrued for retirement. Similarly Bateman and Mitchell (2004) and Bikker, Steenbeek and Torracchi (2012) determined that an increase in costs in a pension fund would result in a reduction of future pension benefits.

The overarching objective of any pension fund is to provide beneficiaries with an adequate income stream during the post-employment period. Various scholars have identified investment returns and how pension assets are invested as important issues for plan members, sponsors and regulatory authorities as shortfalls in retirement income would have to be met by the sponsors or governments in DB and Pay-as-You-Go (PAYG) type plans and in DC schemes, employees would bear the consequences of having lower retirement income than they had planned to have (Clark and Hu, 2005).

Employers and employees have for a long time appreciated the role that pension plans play as part of a competitive compensation package. Numerous scholarly articles have noted that employees' tenure was related to the type of pension benefits offered by the employer. Allen, Clark and McDermed (1993) found evidence that employee tenure was greater at firms that offered DB pensions than at firms that did not while Even and MacPherson (1996) determined that firms without DB pensions experienced substantially higher turnover rates.

Previous studies that I am aware of have not focused on corporate governance as a strategy to improve performance in pension funds in Kenya, for example A.G. Njuguna (2011) did a survey on the determinants of pension governance in Kenya, Koimur (2012) researched on strategic responses by NSSF to competition from other pension funds in Kenya, R.W. Njuguna (2012) evaluated the impact of risk based supervision on the financial performance of pension funds in Kenya and Miring'u (2011) analyzed the effects of corporate governance on performance of commercial state corporations in Kenya. There are no known studies that have researched on corporate governance as a strategy to improve performance in pension funds. This study was therefore motivated to bridge the gap in knowledge by determining whether good corporate governance practices can be used as a strategy to improve performance in pension funds in pension funds in Kenya.

1.3 General Objective

The general objective of this study was to determine if corporate governance practices have improved the performance of Kenya Power Pension Fund.

1.4 Specific Objectives

This study was guided by the following specific objectives:

1.4.1 To determine whether corporate governance practices have improved administration efficiency of Kenya Power Pension Fund.

1.4.2 To determine whether corporate governance practices have improved investment returns in Kenya Power Pension Fund.

1.4.3 To determine whether corporate governance practices in the Pension Fund have improved Kenya Power's ability to attract and retain employees.

1.5 Justification of the Study

This Study was important to various stake holders as outlined below:

1.5.1 Financial Markets Stakeholders

This study may be important to the financial market stakeholders that include the Nairobi securities exchange (NSE), issuers of fund raising securities, financial markets regulators such as Capital Markets Authority (CMA), investors and financial services intermediaries. Adoption of good corporate governance practices may improve pension fund performance and may provide required sources of funds to the stock and bond markets and increase the availability of long term funds, thereby enhance competition and induce financial innovation (Meng and Pfau, 2010).

1.5.2 Retirement Benefits Authority

The findings may provide information on the effects of strengthening corporate governance practices on the performance of pension funds. As the regulator, the Retirement Benefits Authority may use the findings to make changes to policies and regulations which could

enhance corporate governance practices of pension funds in Kenya. RBA may be in a position, as a regulatory authority to better meet its objective of ensuring benefit security without jeopardizing the pension fund plan continuity (Blome, et al., 2007).

1.5.3 Pension Fund Sponsors

Pension fund sponsors set up pension funds as a competitive advantage to help attract and retain employees. The study may provide information on how corporate governance practices affect the performance in pension funds and how performance influences employees' decision to remain in an organization and influence potential employees' desire to join the company (Bobbie, 2006). In addition, for sponsors of DB plan pension funds the decline in performance of pension funds has led to a significant increase in companies pension liabilities (Cocco and Volpin, 2007) thus improved performance spurred by good corporate governance practices may be of great use to sponsors.

1.5.4 Pension Fund Trustees and Administrators

Pension fund trustees and administrators may benefit from the study as they may use the findings to identify corporate governance practices that may have an impact on the performance of the fund and in particular the administration efficiency and investment returns of the pension funds. This may help them to adopt the relevant and appropriate corporate governance practices which increase the efficiency of the operations and processes of the pension funds and improve investment strategies (Ambachtsheer, 2007).

1.5.5 Members of Pension Funds

To the members, the study may provide reliable information on Pension fund sponsors who have set up pension funds as a competitive advantage to help attract and retain employees. The study may provide information on how corporate governance practices affect the performance in pension funds and how performance influences employees' decision to remain in an organization and influence potential employees' desire to join the company (Bobbie, 2006).

1.6 Scope of the Study

The study collected data from Kenya Power Pension Fund trustees, employees and members all of whom have different insights and views regarding the Pension Fund. The study's geographical coverage was in the selected location of Nairobi. The study collected data on corporate governance practices and pension funds' performance. The data was collected from in-service members, retired members and deferred members as well trustees and employees of the pension fund who were not necessarily members of the pension fund. The study was anticipated to take 20 weeks to complete and therefore time constraints limited the scope of this study to a small selected number of members of the Pension Fund.

1.7 Definition of Terms

1.7.1 Administrative Efficiency

This is the ability of a pension scheme to achieve the missions assigned to it using minimal resources (Yoo, 2002).

1.7.2 Investment Return

Investment performance is the return on an investment portfolio, which may contain a single asset or multiple assets, measured over a given period of time (Feibel, 2003).

1.7.3 Defined Benefit Plan (DB Plan)

Defined Benefits Plan is a retirement plan where workers accrue a promise of regular monthly payment in retirement that is based on a formula linked to an employee's salary and years of tenure at the sponsoring firm (Blake, 2003).

1.7.4 Defined Contribution Plan (DC Plan)

Defined contribution (DC) pension plan is the retirement plan where, workers accrue funds in individual accounts administered by the plan sponsor and the benefit in retirement is based on the investment returns of the funds (Byrne, 2004).

1.7.5 Pension Fund

Pension funds may be defined as forms of institutional investor, which collect, pool and invest funds contributed by sponsors and beneficiaries to provide for the future pension entitlements of beneficiaries (Davis, 1995).

1.7.6 Pension Fund Sponsor

This refers to an institution (e.g. company, industry/employment association) that designs, negotiates, and normally helps to administer an occupational pension plan for its employees or members (Rono, Bitok and Asamoah, 2010).

1.7.7 Members' Benefits

This refers to the money that is paid by a pension fund when someone dies, becomes sick, stops working, etc. The benefits paid depend on the type of scheme that the member is entitled to, period of service and/or the amount of contribution (Mercado, 2012).

1.7.8 Pension Trustee Development Program (Kenya)

This is a program intended to equip pension fund trustees with relevant knowledge on the operations of the pensions fund to enable them provide enlightened leadership (Nzomo, 2011).

1.8 Chapter Summary

This chapter presented the background of the study on pension funds and governance in Kenya. The chapter integrates the importance and the role of pension funds to the economy, financial markets and the beneficiaries as well as the challenges facing the industry. The chapter also links the contribution of the corporate governance to the management of the pension funds in Kenya and the world at large.

Chapter two highlights the theoretical concepts on pension funds' performance, previous studies done on pension funds and the effects of corporate governance while chapter three discusses the research designs and methods used to analyze the data for the study. Chapter four highlights the findings of the study while chapter five provides the conclusions and recommendations of this study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature on the topic of corporate governance and its impact on pension fund performance. The chapter is structured on the basis of the research questions; what are the effects of good corporate governance practices on administration efficiency in pension funds, what are the effects of good corporate governance practices on investment returns in pension funds and whether good corporate governance practices in pension funds helps to attract and retain staff of fund sponsors.

2.2 Impact of Corporate Governance Practices on Administrative Efficiency

Pension fund performance is strongly correlated with governance indicators such as cheaper operating costs and the timely payout of benefits (Steele, 2006). Proper ethical behaviour in pension fund management minimizes compliance costs and ensures that the risks taken by the trustees are acceptable and within the appropriate thresholds as prescribed in the investment policy, thus improving efficiency (Gifford, 2004). The OECD notes that good corporate governance practices in the pension fund industry contributes to the maximization of the member's welfare, reduces the chances of litigation and results in improved investment performance, which increases efficiency (OECD, 2009).

Numerous scholars have underscored the importance of good corporate governance practices in the performance of pension funds and in particular how performance of pension funds is related to particular governance variables. Ambachtsheer, Capelle, and Scheibelhut (1998) and Ambachtsheer and Ezra (1998) were among the earliest scholars to investigate the relationship between governance quality and investment returns.

In corporate governance literature, there have been few scholars that have attempted to construct an overall corporate governance index that comprises a comprehensive set of variables. Klapper and Love (2002) developed a Corporate Governance Index using six components that included management discipline, transparency, independence, accountability, responsibility and fairness. Gompers, Ishii, and Metrick (2001) combined anti-takeover provisions and shareholder rights to construct a corporate governance index while Black, Hasung and Woochang (2003) emphasised on responsibilities of the board of and the structure of the board. The financial industry has also attempted the same with both Credit Lyonnaise

Securities Asia (CLSA) and Standard & Poor's in 2001, publishing reports ranking individual companies according to their level of corporate governance. They, however, did not show any rigorous analysis on the relationship between corporate governance and firm value.

Most of the empirical literature studying the link between corporate governance and firm performance have had a tendency to concentrate on investigating the effects of a single governance characteristics on organizational performance, such as board composition, shareholders' activism, managers' compensation, investor protection, and so on (Black, Jang, and Kim, 2006). Yermack (1996) and Adams and Mehran (2002), for instance investigated the impact of board size on organizational valuation and organizational performance, while Karpoff, Malatesta, and Walking (1996) and Carleton, Nelson, and Weisbach (1998) linked firm performance with shareholders' activism.

Although there is no consensus on what constitutes an optimal pension fund, most stakeholders acknowledge the importance of cost efficiency in pension provision. It has been determined that small differences in administrative costs can have a large impact on the net rate of return on pension contributions (Bikker, Steenbeek and Torracchi, 2012). Costs directly affect the extent to which the intended objective of providing adequate income for retirees will be achieved.

Administrative efficiency of a public pension fund can be defined as the ability of the pension corporation to achieve the mission assigned to it using minimal resources (Yoo, 2002). Administrative efficiency could also be measured by how close a pension fund is to its principal stakeholders such as members and their representatives, whether there is continuous improvement program in place and how cost-effective the pension administration function is (Ambachtsheer, 2011).

Yankey & McClellan (2003) stated that organizational effectiveness is the extent to which an organization has met its stated goals and objectives and how well it performed in the process. Malik, Ghafoor and Naseer (2011) stated that organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. Malik et al. (2011) also revealed that the concept of organizational effectiveness was abstract essentially impossible to measure. Instead of measuring organizational effectiveness, the organization determines proxy measures, which will be used to represent effectiveness. In it may be included such things as efficiency of management, performance of employees, core

competencies, number of people served, types and sizes of population segments served and level of administrative costs.

2.2.1 Organizational Structure and Administrative Efficiency

Several scholars have contributed to the debate over organizational structure and pension fund performance. Bauer and Frehen (2008), estimate that pension funds outperform mutual funds, after expenses. They argue that pension funds have greater negotiating power and monitoring capacity which limits their exposure to hidden agency costs. However, Jame (2010) found that relative to mutual funds, pension funds significantly under-perform, results that provide evidence that the additional layer of delegation found in the pension fund industry likely generated significant agency costs, and suggested that the current organizational structure of the pension fund industry may be suboptimal.

Faryadras (2004) in a study to determine the relationship between organizational structure and performance determined that there was a positive relationship between organizational structure and performance but inverse relationship existed between mechanical structure and performance (Chelamirani, 1999). In a study about the effect of formalization, complexity and centralization on functional knowledge Ortega, Zaragoza-Sáez, and Claver-Cortés (2010) concluded that complexity and centralization had positive and negative effects respectively on functional knowledge of organizations.

External regulations can also have an important impact on administrative efficiency. For example, regulations that limit the frequency of transfers between pension plans can significantly reduce administrative expenditure by pension funds. Pension fund governance has direct implications for pension efficiency as it influences the administrative efficiency and investment strategies of pension fund use (OECD, 2009; Carmichael and Palacios, 2003; Husted, 2008).

Kline & Hsieh (2007) identified salary as an important determinant factor for employee increased performance and have been shown to influence an employee's decision to leave or to stay in the organization. Performance based salaries have an effective relationship with performance improvements as they stimulate and motivate workers to be more creative in generating more efforts (Lazear, 1999). Various studies have found that production increased, when system changed from monthly salary to daily wages meaning that increased wages had direct effect on employee performance (Lazear, 2000).

2.2.2 Leadership and Administrative Efficiency

Chelamirani (1999) in a study that analysed the effect of relationship and task oriented style on efficiency concluded that efficiency and effectiveness of relationship oriented leadership style is more than task-oriented leadership style. In a study about leadership style and efficiency, Mohammadi (2007) similarly determined that relationship oriented leadership was more effective. A collaborative leadership style was also determined to have greater efficiency compared to use of authoritarian style (Fallah Osboo-Kolae, 2003) and Koenea, Vogelaar and Soeters (2002), in their study about the effect of different leadership styles on two measures of financial performance and organizational climate in 50 Dutch supermarket concluded that there was a direct relationship between friendly local leadership style and financial performance and organization climate in the stores.

According to Kamery, (2004) employees can be motivated to become more effective by things such as recognition, job satisfaction, promotion opportunities, responsibility, and the opportunities for personal growth. Kamery (2004) further noted motivators used by various organizations included educational assistance programs, stock options, and pension plans. All of these represent long-term programs that are specifically designed to increase worker satisfaction and effectiveness. Zimmer (1998) identified other motivators that could be implemented by management such as availability of social interaction forums, team spirit, implementing goals and challenges, and having employee recognition programs.

Malik et al. (2011) identified motivation, performance, organizational culture, managerial expertise are some of the factors that may affect the organizational effectiveness. Trefry (2006) noted that organizational culture was closely related to organizational effectiveness, because culture influenced which values employees upheld and values influence the perceptions and decisions of employees. Obinna and Farkas (2011) affirmed that the culture that an organization upheld and its conflicts management practices were critical factors to both an organization's success and failure. Lee and Tseng (2005) in their study investigating the relationship between culture and effectiveness concluded that organizational culture had a significant influence over organizational effectiveness.

There is a positive relationship between employee development programs such as training and employee performance. Training is beneficial for employees as well as organizations as it influences employee performance on account of developing an employee's knowledge, skills, ability, competencies and behavior (Appiah, 2010). On the part of the organization, training

plays a key role in the improvement of performance through increasing productivity. Appiah (2010) further noted that there is a substantial difference between an organizations that develops its employees through training and organizations that do not develop their employees. An organization that is dedicated to generating profits for its owners (shareholders) and providing quality service for its customers and beneficiaries usually invest employee development programs (Evans and Lindsay, 1999).

2.3 Impact of Corporate Governance Practices on Investment Returns

Numerous scholars have underscored the importance of good corporate governance practices in the performance of pension funds and in particular how investment return of pension funds is related to particular governance variables. Ambachtsheer, Capelle and Scheibelhut (1998) and Ambachtsheer and Ezra (1998) were among the earliest scholars to investigate the relationship between governance quality and investment performance. Using questionnaires that asked pension fund Chief Executive Officers (CEO's) score their fund's governance quality the studies found a positive correlation between the scores provided by the CEO's and investment performance.

Some authors have investigated how the investment performance of pension funds is related to particular governance variables. Kowalewski (2010) identified the selection of independent board members with requisite qualities and incentives to monitor the pension fund managers, as an important governance factor that determined the return on the pension fund's assets; Yang and Mitchell (2005) found evidence that in addition to the composition of the board of trustees, the reporting practices influenced performance of public pension funds; while Ammann and Zingg (2008) observed that good governance with respect to target setting and investment strategy had a positive relationship with investment performance in Swiss pension funds.

On the contrary Useem and Mitchell (2000) did not find any direct relationship between the governance quality and investment performance. However, they showed that governance has a direct effect on how pension funds invested their assets. The investment strategy, in turn, directly affected investment performance and thus the scholars concluded that governance quality indirectly affected the investment performance of pension funds. Pension funds globally are run on the principle that seek to ensure growth of pension fund assets through prudent investment in order to provide an adequate pension benefit at retirement without

compromising the security of the investments (Davis, 2000). In addition to corporate governance a number of other factors affect the investment returns of pension funds:

2.3.1 Investment Regulations and Investment Returns

The main objective of pension fund regulations is to promote, the stability, security and good governance of pension funds and plans, and to protect the interests of pension fund members and beneficiaries. Pension supervision involves the oversight of pension institutions and the enforcement of and promotion of adherence to compliance with regulation relating to the structure and operation of pension funds and plans, with the goal of promoting a well-functioning pensions sector, (International Organisation of Pension Supervisors [IOPS], 2010). Pension fund assets in OECD countries have increased rapidly over the past decades (OECD, 2007), and it is expected that the trend will continue in OECD countries and throughout the globe. Against this background investment of pension fund assets has become an important issue, which also has policy implications. Pension fund regulatory authorities are particularly concerned with the investment performance of pension fund assets as risks relating to pension funds not being able to provide required retirement income for plan members continue to grow, (Clark and Hu, 2005).

In an assessment of the impact of investment relevant regulation on the investment and contribution policy of DB pension funds, Blome, Fachinger, Franzen, Scheuenstuhl and Yermo (2007) determined that funding regulations that required full funding at all times and relied on fixed discount rates to calculate liabilities generally led to higher investment in lower yield, lower risk instruments, raising the net funding cost. Severinson and Yermo (2012) in a study on the effect of solvency regulations and accounting standards on long-term investing concluded that the move by regulators across countries globally towards fair value accounting principles would have major impact on long-term investments such as pension funds and could cause them to move further away from products and promises with return guarantees in favour of those that are in line with market returns.

Numerous pension regulatory authorities throughout the world have implemented quantitative approach to investment regulations such as imposing maximum exposure limits in asset classes and imposing quantitative performance requirements, such as minimum or target investment returns, or set limits on quantitative investment risk measures, all in an effort to reduce pension funds' exposure to risk (Antolin et al., 2009). Chan-Lau (2005) identified investment regulations as one of the main determinants of investment performance of the

pension fund industry, while Antolin (2008) in a study comparing investment performance of privately managed pension funds across several OECD, Latin American and Central and Eastern European (CEE) countries determined that in several countries investment restrictions contained in regulations had a negative impact on performance.

2.3.2 Investment Policy and Investment Returns

Investment policies ordinarily comprise of two statements regarding the exposure to major assets classes – asset allocation policy, and the extent to which the selected asset classes are to be actively managed – active management policy (Ilkiw, 2003). OECD’s Guidelines on Pension Fund Asset Management which aim to stakeholders involved in pension fund administration and management, states that the governing body of a pension fund should set forth in a written statement and actively observe an overall investment policy. The policy should as a minimum have clear investment objectives, a strategic asset allocation, sound risk management process, procedure for selection and monitoring of fund managers; and a procedure by which the governing body will be reviewing the effectiveness of the policy (OECD, 2009).

In the investment management industry, it is commonly accepted that asset allocation decision is the most important determinant of the portfolio’s investment performance, however some studies from investigations of mutual fund and pension fund investment practices both confirm and refute this proposition (Brown, Garlappi and Tiu, 2010). Ibbotson and Kaplan (2000), using data on US mutual and pension funds, and Blake Blake, Lehmann, and Timmermann (1999), using data on U.K. pension funds, conclude that while asset allocation decisions are the major determinant of return variation over time, they are considerably less important in explaining return variation.

In general however, asset allocation which is a key tenet of the OECD guidelines has by far been identified by numerous scholars as the most important determinant of returns of long-term funds (Ibbotson, 2010; Xiong, Ibbotson, Idzorek and Chen, 2010; Vardharaj and Fabozzi, 2007). In an analysis of the asset allocation policy and performance of U.S. and Canadian defined benefit pension funds, Andonov, Bauer and Cremers, (2012) observed that even though pension funds had the opportunity to invest in multiple asset classes, the majority of pension funds followed a standard asset allocation policy which was responsible for more than 50% of the variation in excess returns.

2.3.4 Fund Managers Selection and Investment Returns

Pension fund trustees usually rely on the advice of external consultants for selecting the fund's asset allocation, and on external fund managers for security selection, a reliance that can be explained to a degree by the fact that a substantial part of pension funds' trustees lack investment expertise (Chan-Lau, 2004).

There are a number of different fund management styles with the two most common styles being active fund management and passive fund management. The traditional mandate given to a fund manager is an active balanced mandate, under which the fund manager manages a portfolio comprising of assets from across all asset classes, and within each asset class the fund manager will make security selection decisions while passive fund management is a style whereby the fund manager adopts a stock selection strategy that tracks the market portfolio, supported by an appropriate index (Bank for International Settlements, 2003)

Literature on whether an active management style would outperform a passive management style has produced mixed conclusions. Malkiel (2003) asserted that passive investment styles were superior to active fund management styles and Tonks (2009) found evidence that on average active fund managers did not add very much value to performance over and above a fund manager who adopted a passive style of investing in the market index. A considerable amount of literature has cast active fund managers in a more favorable light, Baker, Litov, Wachter and Wurgler (2005) and Kosowski, Timmerman, White and Wermers (2005) have shown that some active fund managers possess legitimate stock selection skills and Bollen and Busse (2001) found a significant number of fund managers who were able to profitably rebalance their portfolios in advance of general market movements thus supporting an active fund management style.

Despite the mixed conclusion on an active versus a passive fund management style, there is a general consensus from various studies that there are fund managers who are able to deliver superior returns as compared to others. Kosowski, Timmermann, Wermers and White (2006) demonstrated that some growth-oriented mutual fund managers earn positive abnormal returns due to genuine skill rather than good luck. Chen, Adams and Taffler (2010) demonstrated that superior growth-oriented fund managers had growth timing abilities and revealed that growth timing accounted for about half (at least 45%) of the abnormal returns earned by growth-oriented fund managers. There are also studies such as Kosowski *et al.*, (2006), and

Cuthbertson, Nitzsche and O'Sullivan (2010) among others; that provide evidence of negative skills being portrayed by fund managers.

The numerous studies supporting both positive and negative skills among fund managers add credence to Koedijk, Slager and Bauer (2010) determination that the choice of fund managers can enable pension funds to earn excess returns.

2.4 Whether Corporate Governance helps Attract and Retain Employees

In a period where competence and experience of employees are amongst the key competitive advantages that an organization can have, the significance of attracting and retaining key employees cannot be ignored nor downplayed (Mohaptra, 2005). The labour environment in the 21st century is characterized by a volatile talent demand and supply equation set against erratic attrition trends and ruthless competition, organisations have an extremely hard time in finding, managing and nurturing top talent (Cheese, Thomas and Craig, 2007).

Employers and employees alike have long appreciated the role that retirement plans play as part of a competitive compensation package. Almeida and Boivie, (2009) noted that employees value retirement plans because they provide a more cost-effective, streamlined way to build retirement wealth while employers care about employees' retirement security prospects because of the fact that retirement plans, can be structured in a way as to create incentives that enhance their human resources objectives of recruitment, retention and enhancing productivity of employees. Freidberg and Owyang (2005) in particular determined that DB pensions can be highly effective recruitment and retention tools for employers.

According to Almeida and Weller (2011) the recruitment value of DB pensions lies in their intrinsic insurance functions as individuals are generally not particularly fond of risk and prefer ways to reduce that risk, especially when it comes to something as substantial as retirement savings. Employees thus value the offer of some social insurance protections from their employers in the form of DB pensions. Ippolito (1997), for instance, found that employees valued pensions so highly that they would willingly forego higher wages for guaranteed retirement income.

Watson and Wyatt (2005) reports that employees of firms with a DB pension plan had twice the probability of citing the retirement plan as an important factor in choosing an employer as employees at firms with a DC pension plan and that employees of firms with DB pension

plans placed a much greater importance on both attraction to and retention at their current employer than employees at firms with DC pension plans. On the contrary however, In 2005, Alaska replaced their traditional DB pension plan with a DC pension plan and a 2008 Alaska Department of Administration report showed that vacancy rates in Alaska state government actually decreased the year following the adoption of the new plan. In Maryland, there was legislative debate in 2006 that the state's DB pension plan, with the lowest average replacement rate in the nation, was hampering teacher recruitment relative to neighboring Pennsylvania. Data showed that there was no significant difference in certified staffing levels between Maryland and Pennsylvania, implying that Maryland's relatively inferior pension system was not causing a migration of teacher recruits (Podgursky, 2006).

2.4.1 Corporate Governance Concerns of Pension Funds Members

DB pension plans and DC pension plans differ in various extents, DB pension plans tend to be weak in corporate governance areas that include control of investment decision-making, access to liquidity upon retirement, and the clarity of how wealth is accumulated. In cases where employees find the DB plan weaknesses intolerable, DC pension plans may actually increase retention. In fact, studies have found that, similar to DB plans, workers in DC plans have lower mobility relative to uncovered workers (Andrietti and Hilderband, 2004) findings that strengthen previous scholars' assertions that pension plans, depending on their structures, were capable of enhancing retention of workers.

Hales and Gough (2003) in their research study that investigated employees' perceptions of different types of pension schemes determined that there were different features of pension funds that employees were attracted to and concerned about. Among the concerns raised were level of contributions, projected retirement benefits, inadequate communication and advice, record keeping, transfer of benefits and annuities all of which are directly or indirectly related to the pension fund's corporate governance practices.

Stewart (2010) identified approving and regularly reviewing of the overall strategy of the pension fund as a key responsibility of the board of trustees of a pension fund which would alleviate employees' concerns regarding pension schemes as identified by Hales and Gough (2003). As part of good corporate governance practices, the board is required to set acceptable levels of risk; measuring, monitoring and controlling these risks; and ensuring that an adequate and effective internal control system is in place. The OECD's Guidelines for Pension Fund Governance (OECD, 2009) highlight that the following operational functions of pension funds

should be clearly assigned: collection of contributions, record-keeping, actuarial analysis, funding and contribution policy, asset-liability management (where appropriate), investment strategies, asset management, financial education of and disclosure to plan members.

2.4.2 Projected Retirement Benefits and Attraction and Retention of Employees of Pension Fund Sponsors

Various scholars have noted the importance of good corporate governance practices in the performance of pension funds and in particular how investment returns of pension funds are related to particular governance variables. Ambachtsheer, Capelle, and Scheibelhut (1998) and Ambachtsheer and Ezra (1998) in their investigation on the relationship between governance quality and investment performance found that there was a relationship between corporate governance and investment returns.

Investment returns of pension funds determine the level of benefits of a fund. The expected benefits of a fund by the members is an important consideration by the employee in their 'to join, to stay or to leave' decisions. According to a study done by Watson Wyatt, (2005), retirement plan's richness exerts a stronger effect on employee retention than attraction. DB plans are an important recruitment tool, as employees seem to value DB pension benefits quite highly. In a survey MetLife (2008) found that 72% of employees had cited pension benefits as an important factor in their loyalty to their employer.

In a study among private sector employees, Buessing and Soto (2006) found that the fraction of members covered by only a DC pension plan had increased by more than three times between the years 1980 and 2003, while those covered solely by a DB pension plan had reduced by over eighty percent. A study carried out during the same period, between 1980 and 2003, by Munnell, Haverstick and Sanzenbacher, (2006) determined that employee mobility was higher. DC plans are deemed to cause greater mobility relative to DB plans given that the benefits structure of DB plans tend to reward employees who have longer career lengths with a single employer due to longer wealth accumulation requirements (Lazear, 1990) as compared to the wealth accumulation in DC plans that is generally less dependent on career length and more dependent on investment return and contribution rates.

2.4.3 Other Employee Benefits and Attraction and Retention of Employees of Pension Fund Sponsors

According to Milkovich and Newman (2008), employee benefits are that part of the total compensation package, other than pay for the time worked, provided by the employers' payments to employees, further they noted that employee benefits are widely claimed to help in the retention of workers. Benefits are able to help attract and retain employees if there are well-designed employee benefits, and more so in a competitive employment market (Losey, 1998).

A study by the Society of Human Resource Management indicates both employees and Human Resource professionals see benefits as the top factor driving job satisfaction (Milkovich and Newman, 2008). Therefore, it is necessary to provide well-designed benefits for the employees in the organization in order to attract and retain more capable and productive employees.

In order to increase employees' job satisfaction and decrease the turnover rate of the employees, Ahmad, Yei, and Bujang (2013) in their study concluded that there was need to have a comprehensive benefits strategy that took into account monetary and non-monetary benefits. They went further to state that employers should reflect on their employees' requirements for benefits such as leave, loan and retirement plan which were vital factors to attract and retain employees. Trends have revealed that employees are attracted to these non-traditional benefits and expect them to be offered by employers (Noe, Hollenbeck, Gerhart and Wright, 2004).

2.4.4 Employer Brand and Attraction and Retention of Employees of Pension Fund Sponsors

A study conducted by McKinsey in 2004 found that employees rated factors such as fun place to work, training opportunities and innovative company to be more important than high salary when it comes to attracting employees (De St Aubin and Carlsen, 2008). Various studies have shown the relationship between employer brand and its effects on attracting and retaining of talent to an organization (Cheese, Thomas & Craig, 2007; Crous, 2007; Willock, 2005). Even though it is normal amongst big companies to use their brand image to attract and retain talent (Dell, Ainspan, Bodenberg, Troy & Hickey, 2001), companies have not effectively developed,

maintained or realigned their employer brand efforts correctly and have therefore lost out on a powerful talent attraction and retention tool (Cheese *et al.*, 2007).

An employer's brand is associated with the organization's level of attractiveness in terms of social, economic and psychological benefits (Corporate Leadership Council, 2007) and a strong employer brand acts as an enticement for talent in the labor marketplace (Rosethorn, 2009). Organizations need to attract employees in a manner similar to the way it attracts customers. Schumann and Sartain (2009) contend that to be able to draw the attention of, attract, engage, and retain top talent, recruitment is a key and challenging function, which has an impact over the organisations activities (Florea, 2010). Every organization, irrespective of its nature of business, its marketplace, and the economic conditions, needs the right team to be engaged in making the right duties and responsibilities.

Botha, Bussin and De Swardt (2011) determined that the employer brand and its brand strategies that include differentiation, brand consistency, brand communication are equally important to attracting and retaining talent as they are to customers attraction and retention. Therefore when an organization has a good employer brand, the organization will increase its ability to attract, recruit, hire, and retain talents it needs (Florea, 2011).

2.5 Chapter Summary

This chapter reviewed and analyzed the literature on the topic of corporate governance and its impact on pension fund performance. In addition, the chapter reviewed literature on factors affecting administration efficiency and investment returns in pension funds. It also examined how pension funds as well as other factors that help to attract and retain staff of fund sponsors. The next chapter discusses the research methodology that was adopted in order to effectively carry out the study.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter clearly defines the research methods that were used to conduct the study. The researcher explains how the necessary data and information to address the research objectives and questions were collected, presented and analyzed. Reasons and justifications for the research design, research instruments, data sources, data collection techniques, data presentation techniques and analytical techniques that were used are given.

3.2 Research Design

Kombo and Orodho (2002) suggests that design is used to structure the research, to show how all the major parts of the research project work together to address central research questions. Kothari (2003) says that it constitutes the blue print for collection, measurement and analysis of data. Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002).

Research design addresses important issues relating to a research project such as purpose of study, location of study, type of investigation, extent of researcher interference, time horizon and the unit of analysis (Sekaran and Bougie, 2010). In other words it can be described as a master plan which indicates the strategies for conducting a research. A research design serves as a master plan of the methods and procedures that should be used to collect and analyze data needed by the decision maker. The research design is a deliberately planned arrangement of conditions for the analysis and collection of data in a manner that aims to combine relevance to research purpose with the economy procedure.

The study was a descriptive research which is more formalized and structured with clearly stated hypothesis or investigative questions (Cooper and Schindler, 2003). The goal of this study was to answer the research questions posed. In addition the relationship between the dependent variable and independent variables was tested using hypotheses. The dependent variable for this study was whether corporate governance practices improved performance of Kenya Power Pension Fund while the independent variables were; corporate governance

practices improving administrative efficiency, investment returns and ability of corporate governance practices to attract and retain employees of Kenya Power.

The study adopted a mixed methods design which involves the collection of both quantitative and qualitative data and the combination of the strengths of each to answer the research questions. In particular the research adopted the triangulation design whose purpose was to obtain different but complementary data on the same phenomena in order to best understand the research problem (Morse, 1991). Triangulation refers to the traditional view that quantitative and qualitative research might be combined to triangulate findings in order that they may be mutually corroborated (Bryman, 2006). The triangulation design was chosen since the researcher wanted to directly validate and expand quantitative statistical results with qualitative data.

This design was adopted as the suitable research design because it enabled the researcher to use multiple sources of data and a variety of research methods to explore the research questions which fostered the validation of data through triangulation. The design was also appropriate as the findings were likely to be more compelling and accurate (Yin, 2003).

3.3 Population and Sampling Design

3.3.1 Population

Mugenda and Mugenda (2003) described population as, the entire group of individuals or items under consideration in any field of inquiry and have a common attribute. The population of this study was Trustees, employees and members of the Kenya Power Pension Fund whose total number is estimated at 5194.

According to Cooper and Schindler (2008) a population is the total collection of all elements about which one wishes to make some inferences. The target population in this study was Trustees, employees and members of the Pension Fund. Members of the Fund are comprised of in-service members, retired members and deferred members; and in-service members are comprised of different job categories of union, management and executive. In addition, the study also relied on secondary data from the Pension Fund's documents such as annual reports, strategic plans, member satisfaction surveys, newsletters and performance evaluation reports that provided historical information on the topic of discussion.

Table 3.1 Population Distribution of Trustees, Employees and Members of the Pension Fund

No.	Distribution	No.
1	Trustees	7
2	Employees	14
3	Members	5,173
	Total	5,194

Source: Kenya Power Pension Fund HR and Membership Registry

Table 3.2 Population Distribution of Members of the Pension Fund by Membership Status

No.	Membership Status	No.
1	In-service Members	4,028
2	Retired Members	909
3	Deferred Members	236
	Total	5,173

Source: Kenya Power Pension Fund Membership Registry

Table 3.3 Population Distribution of In-service Members of the Pension Fund by Job Category

Sno.	Job Category	No.
1	Union	2,507
2	Management	1,389
3	Executive	132
	Total	4,028

Source: Kenya Power Pension Fund Membership Registry

3.3.2 Sample Design and Sample Size

Burns and Grove (2003) refer to sampling as a process of selecting a group of people, events or behaviour with which to conduct a study. Sampling is thus a process of selecting a portion of the population to represent the total population and the findings from the sample would represent the total population. Sampling has the advantages of greater accuracy on the obtained results, less costly and time saving than collecting information from a large population (Cooper and Schindler, 2008).

3.3.2.1 Sampling Frame

A sample frame is a list that includes every member of the population from which a sample is to be taken. It is the complete list containing all the sampling units of the population (Kothari, 2003). The sampling frame of this study was a list of Trustees, employees and members of Kenya Power Pension Fund. The list of Trustees, employees and the existing members was provided by the Human Resource & Administration Officer of the Pension Fund.

The sampling frame for members of the Pension Fund was the membership records at the member registry at the Pension Fund while the sampling frame for Trustees and employees was the HR records at the HR registry at the Pension Fund.

3.3.2.2 Sampling Technique

In this study both probability and non-probability sampling was used. Members of the pension fund were sampled using probability sampling while the Trustees and employees were selected using non-probability sampling.

Probability sampling is based on the concept of random selection which is a controlled procedure that assures that each population element is given a known chance of selection while non-probability sampling is a selection of participants based on the researcher's judgment based on the participant's knowledge of the phenomenon (Cooper and Schindler, 2003).

Simple random sampling was used for sampling members of the Pension Fund so as to increase the sample's statistical efficiency while the purposive sampling technique was used to select the Trustees and employees of the Pension Fund participating in the study. The researcher chose Trustees and employees who were thought to be more experienced and would be most appropriate for the study.

3.3.2.3 Sample Size

Burns and Grove (2003) state that there are no hard or fast rules about the sample size but a sample should have at least 30 respondents. According to Polit and Beck (2006), quantitative research designs require large samples to increase representativeness and reduce sampling error. According to Holton and Burnett (1997), one of the real advantages of quantitative methods is their ability to use smaller groups of people to make inferences about larger groups

that would be prohibitively expensive to study. Many qualitative researchers do not like to constrain research by giving definitive sizes of samples, but the numbers may range from one or two people, as in a narrative study, to 50 or 60 in a grounded theory project (Creswell, 2003).

This study used a sample of 45 respondents for the quantitative research and 5 respondents for the qualitative research out of a population of 5,194. The sample elements for the quantitative research consisted of 45 members of the pension fund based in Nairobi while the qualitative research comprised of 2 Trustees and 3 members of staff of the Pension Fund. The study sample size of 50 represents a small percentage of the population of the Pension Fund's Trustees, employees and members which the researcher felt to be sufficient as categorical variables such as gender, level of education, socio-economic backgrounds and cultural norms and beliefs of the respondents was taken into consideration meaning that the sample size despite being small was deemed representative of the population.

Table 3.4 Sample Size Distribution for Quantitative Data collection

No.	Distribution	No. of Individuals	Sample size
1	In- Service Union	2,507	22
2	In-Service management	1389	12
4	In-service Executive	132	1
5	Retired Member	909	8
6	Deferred Member	236	2
	Total	5,173	45

Table 3.5 Sample Size Distribution for Qualitative Data Collection

No.	Distribution	No. of Individuals	Sample size
1	Trustees	7	2
2	Employees	14	3
	Total	21	5

3.4 Data Collection Methods

Data collection is a systematic process in which the researcher collects relevant information to achieve the research purpose and objectives. The instrument used to collect the data depends on the research design (Burns and Grove, 2001). In this study both primary and secondary data

was used. Secondary data was collected from the Pension Fund's documents that included annual reports, strategic plans, actuarial valuation reports, risk management evaluation reports and performance evaluation reports that provided historical information on the topic of discussion, whereas primary data was collected using questionnaires and a structured interview guide administered by the researcher.

Polit and Beck (2006) noted that interviews provide quality data about what people are doing or thinking about a phenomenon. Questionnaires which are more uniform and standardised than interviews, and are less susceptible to biases due to deviations from instructions and method of administration (Cooper and Schindler, 2003) are generally less costly, less time consuming, and considerably less demanding with respect to such matters such as selection, training, and supervision of personnel.

A questionnaire was developed and contained both structured and unstructured questions. The questionnaire consisted of two parts: Part A focused on the respondent's demographics and Part B comprised of four sub-sections; Section I, assessing respondents knowledge of corporate governance in the pension fund; Section II, assessing the impact of corporate governance on administrative efficiency; Section III, assessing the impact of corporate governance on investment returns and Section IV, assessing the role of the pension fund in attracting and retaining employees of Kenya Power. Questions in Part A required direct answers, while the questions in Part B relied on a likert scale which presents a simple way of gauging specific opinions and also enables the measurement of broader attitudes and values (Johns, 2010).

A structured interview guide was also designed and the researcher asked open-ended and closed questions to find out what the respondents knew and thought about the phenomenon under study. The interview guide designed by the researcher was free from bias and used the same structured questions for all the respondents to ensure consistency of responses. Questions were asked to elicit the knowledge of respondents on the subject of corporate governance and its impact on performance of the pension fund in the areas of administrative efficiency, investment performance and its role in attracting and retaining employees of Kenya Power. The interview guide comprised of questions related to knowledge of corporate governance in the pension fund and how corporate governance had impacted on administrative efficiency, investment returns and role of the Pension Fund in attracting and retaining employees of Kenya Power.

The data collection, quantitative data collected using the questionnaire and qualitative data collected from interviews, was done concurrently but separately as one data set did not depend on the results of the other data set.

3.5 Research Procedures

A pilot study is a small-scale trial of the data-collection instrument to determine clarity of questions and whether the instrument elicits the desired information (Polit and Beck, 2006). In order to ensure reliability and validity of the questionnaire and the interview guide, both instruments were pre-tested on 1 Trustee, 1 employee and 3 member of the Pension Fund to check the clarity of questions and identify vague or non-acceptable questions. Adjustments were made based on the outcome of the pre-test results. The data collected during the pre-test was not part of the study.

After the pilot test, the instruments were fine-tuned and redesigned on the basis of the feedback that the researcher received. In terms of validity, both content and criterion-related forms of validity were undertaken. On the other hand, stable reliability was considered before actual research was undertaken. The final version of the questionnaire and interview guide included in the appendix of this report was later administered to the respondents selected in the sample size excluding the respondents who participated earlier in the pilot test.

The questionnaires were given to the pension fund's Human Resources Officer from where they were distributed to members of the Scheme over a period of 5 days beginning on the 17th March 2014. The researcher and the Human Resources Officer had consulted to ensure that the questionnaires were given to a wide cross-section of members in order to gather responses that were as representative of the members of the fund as possible. A total of 33 respondents responded to the questionnaire. The interviews for the selected respondents were conducted by the researcher who visited the offices of the respondents. The researcher used the structured interview guide and documented the respondents' responses in the same order and manner. This method allowed the respondents to clarify questions, where necessary.

3.6 Data Analysis Methods

The researcher analyzed the quantitative and qualitative data sets separately and independently from each other. An in-depth quantitative analysis of the content of the responses was carried out. The structured data was analyzed using IBM SPSS Statistics a software package whose

name stands for Statistical Package for the Social Sciences (SPSS). Thereafter, the data was cleaned to ensure completeness of the information obtained. The collected data was statistically analysed using Microsoft Excel program and IBM SPSS Statistics and presented in tables and figures to give a clear picture of the findings at glance. The qualitative data obtained was analyzed by using the constant comparative method which comprises of transcribing, coding and categorizing the data into different sets and then comparing them. The similarities and differences of the formed categories were critically analyzed with the aim of finding out the actual meaning of the data.

Once the two sets of initial results were compiled, the researcher merged the results by directly comparing the separate results and the researcher interpreted the extent to which the two sets of results converged with each other, related to each other, and combined to create a better understanding in response to the study's overall purpose of showing the impact of corporate governance on the performance of Kenya Power Pension Fund.

3.7 Chapter Summary

This chapter has detailed the research methodology used, giving a description of the research design, population and sampling design, data collection method, research procedures. The population, sampling technique and sample size and justification for the same was also discussed. The interview guide which was the data collection method adopted was described together with the structure of the interview guide. The chapter also indicated how the quantitative data and qualitative data was analyzed and merged to show the impact of corporate governance on the performance of Kenya Power Pension Fund. The next chapter presents the study results and findings based on the research questions.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the data that was found on the impact of good corporate governance practices on performance of Kenya Power Pension Fund.

The quantitative research was conducted on sample size of 45 respondents, who were members from Kenya Power Pension Fund out of which 33 respondents completed and returned the questionnaires duly filled in, making a response rate of 73.3%. According to Mugenda and Mugenda (1999) a response rate of 50% and above is adequate for statistical reporting. The study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points were used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

The qualitative research was conducted on a sample size of 5 respondents who were Trustees and employees of Kenya Power Pension Fund. The interview questions were also structured to address the three research questions and were also designed so that the interview findings could be compared with those obtained in the survey. The interviews also allowed the researcher to clarify the relationship between corporate governance and pension fund performance.

4.2 Demographic information

The study initially sought to ascertain the general information on the respondents involved in the study with regards to the gender, age bracket, highest level of education, staff category, status of membership and the number of years the respondents have been a member of the Pension Fund. The demographic information points at the respondents' suitability in answering the questions on the corporate governance as a strategy to improve performance in pension funds: a survey of Kenya power pension fund.

4.2.1 Gender distribution of respondents

The study sought to establish the gender of the respondents and the findings are as shown in

Figure 4.1 below. From the findings, majority (60.6%) of the respondents were female while 39.4% were male. This did not reflect the gender representation among members of the Pension Fund which was 82.8% male to 17.2% female ratio. There were more female respondents because of the fact that majority of women had office based jobs as compared to the men who had more of their jobs being field based.

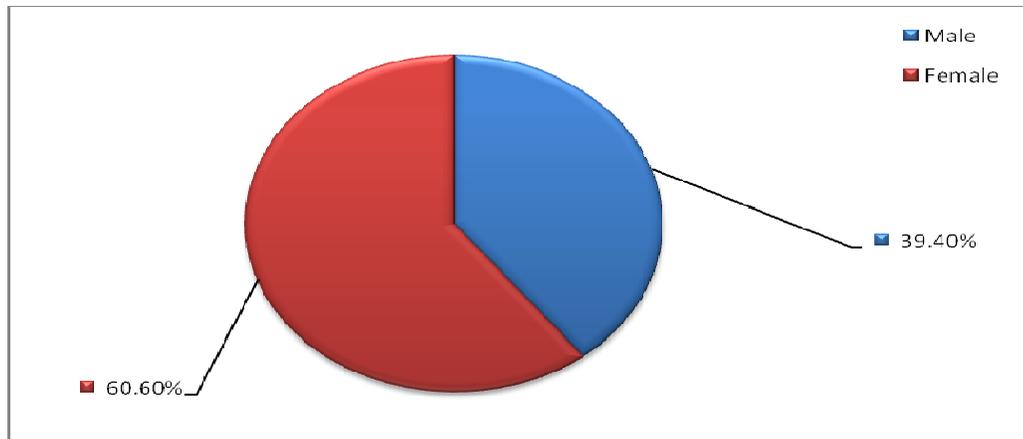


Figure 4.1 Gender distribution of the respondents

4.2.2 Age distribution of Respondents

The respondents were required to indicate the age bracket that they fell in. Table 4.6 below illustrates the study findings. From the findings, most of the respondents (33.3%) were between 30-40 years old, 21.2% were 41-50 years old, 18.2% were 51-60 years old while 15.2% were either below 30 years or above 60 years. The findings indicate that majority of the members of Kenya Power Pension Fund were over 30 years old. This fairly reflected the age profile of the members of the Pension Fund to a great extent which has majority of its member above the age of 40 years.

Table 4.6 Age distribution of the respondents

Age	Frequency	Percent
Below 30 years	5	15.2
30-40 years	11	33.3
41-50 years	7	21.2
51-60 years	6	18.2
Above 60 years	4	12.1
Total	33	100.0

4.2.3 Respondents' highest level of education

The study sought to establish the highest level of education attained by the respondents. Figure 4.2 below illustrates the study findings. From the findings the majority (42.4%) of the respondents had post-secondary certificate or diploma, 39.4% had Bachelors' degree, 12.1% had masters' degree while 6.1% had attained high school certificate. This shows that most of the respondents have attained college education and thus had rich information and knowledge on impact of good corporate governance practices on performance of Kenya Power Pension Fund.

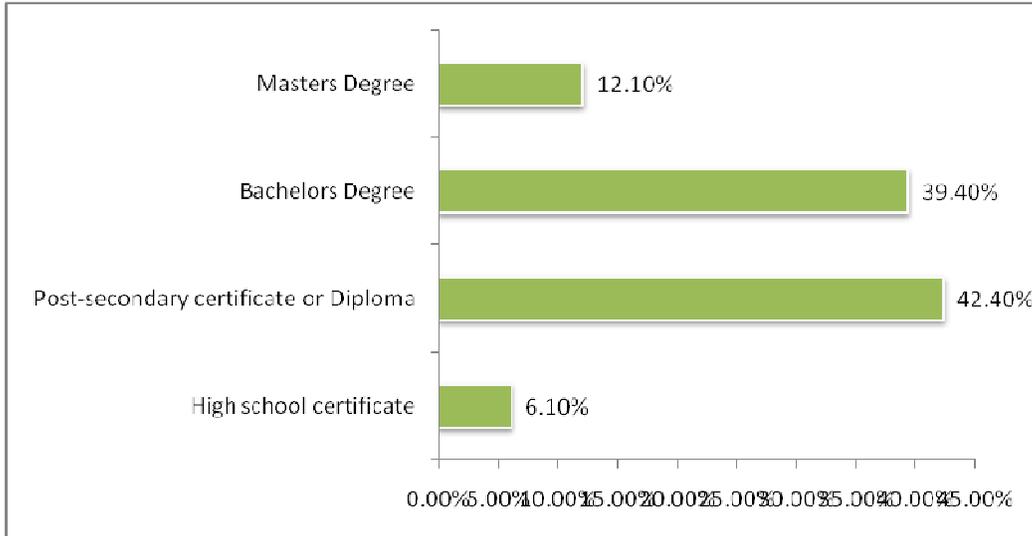


Figure 4.2 Respondents' highest level of education

4.2.4 Respondents' staff category

The study inquired on the staff category that the respondents belonged to. Table 4.7 below illustrates the study findings. From the findings, the population distribution of in-service members of the pension fund by job category comprised of 43.5% union, 52.2% management and 4.3% executive respectively. This did not reflect the job category distribution among members of the Pension Fund which comprised of 62% union, 34% management and 3% executive. There were more respondents in management because of the fact that majority of management category jobs were office based as compared to the union category jobs that were field based.

Table 4.7 Respondents' staff category

Staff Category	Frequency	Percent
Union	10	43.5
Management	12	52.2
Executive	1	4.3
Total	23	100.0

4.2.5 Status of respondents' membership

The study sought to establish the status of respondents' membership. Figure 4.3 below illustrates the study findings. According to the findings 69.7% of respondents were in-service members, 24.2% were retired members while 6.1% were deferred member. This fairly reflected the membership status of the members of the Pension Fund to a small extent which has 77.7% in-service members, 17.6% retired members and 4.7% are deferred member.

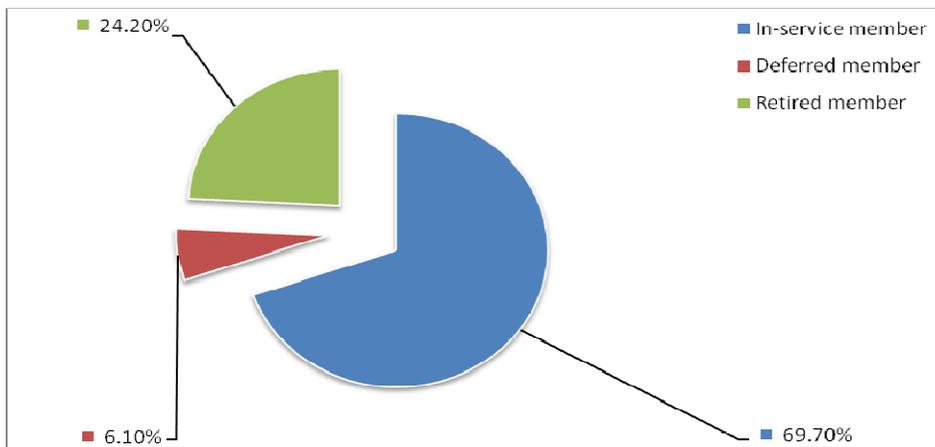


Figure 4.3 Status of respondents' membership

4.2.1 Years of being a member of the Pension Fund

The respondents were to indicate the number of years that they had been a member of the Pension Fund. Figure 4.4 below illustrates the study findings. From the findings, most (42.4%) of the respondents had been a member of the Pension Fund for over 15 years, 30.3% for 2-5 years, 15.2% for 6-10years while 6.1% had been a member of the Pension Fund for either below 1 year or 11-15 years. This fairly reflected the membership years of the members of the Pension Fund to a great extent which has majority of its members having been members of the Pension Fund for more than 5 years. This depicts that the majority of the members, on the

basis of long membership periods, would be able to give credible information on the improvement of corporate governance practices and its impact on performance of Kenya Power Pension Fund.

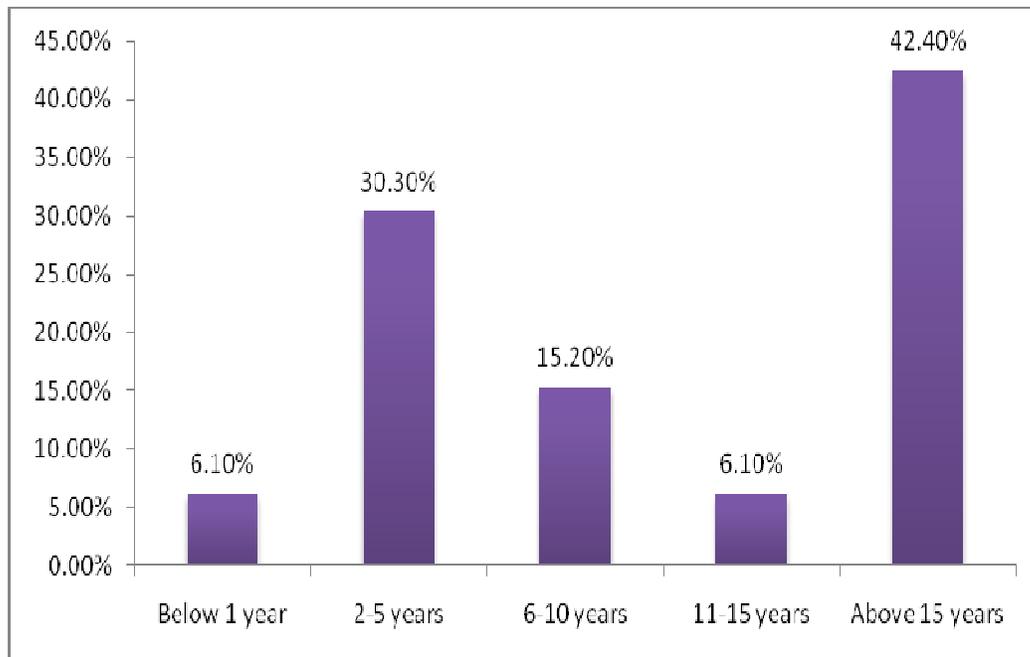


Figure 4.4 Years of being a member of the Pension Fund

4.3 Impact of Corporate Governance on Administrative Efficiency of Kenya Power Pension Fund

This section was designed to address the first research question concerning whether corporate governance practices can improve administration efficiency of Kenya Power Pension Fund. While the factors investigated apply specifically to Kenya Power Pension Fund, they can also be extrapolated to show whether corporate governance practices improved administration efficiency in Pension Funds in Kenya.

The research first sought to determine the extent to which the Pension Fund had implemented good corporate governance practices and second to determine the extent to which efficiency of the administrative function of the Pension Fund had improved.

4.3.1 Corporate Governance in Kenya Power Pension Fund

In order to determine whether corporate governance had improved on administrative efficiency, the respondents were requested to indicate their level of agreement on the extent to which the Pension Fund has implemented good corporate governance practices. The responses

were rated on a five point Likert scale where: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. Table 4.8 below illustrates the study findings. From the study findings, the majority of the respondents agreed that; the Fund conducts AGM's for its members annually (Mean=4.8000), the fund prepares audited financial statements and makes them available to members (Mean=4.6400), the Fund has appointed an organization and/or persons to carry out internal audits (Mean=4.5400), the Fund has formed board committees to deal with specialised matters such as audit, investments, governance, staff and administration (Mean=4.4400), the Fund has a set quota for meetings of Trustees (Mean=4.4000), the Fund publically announces the bio-data and qualifications of the Trustees (Mean=4.3200), the Fund has developed and adopted a code of corporate governance practices (Mean=4.4200) respectively.

Table 4.8 Corporate governance and Kenya power pension fund performance

	Mean	Std. Deviation
The Fund conducts AGM's for its members annually	4.8000	0.53452
The Fund has developed and adopted a code of corporate governance practices	4.4200	0.75835
The Fund has formed board committees to deal with specialized matters such as audit, investments, governance, staff and administration.	4.4400	0.81215
The Fund has appointed an organization and/or persons to carry out internal audits	4.5400	0.76158
The Fund publically announces the bio-data and qualifications of the Trustees	4.3200	0.91339
The Fund has a set quota for meetings of Trustees	4.4000	0.85714
The fund prepares audited financial statements and makes them available to members	4.6400	0.72168

To get an idea of the corporate governance practices in the Pension Fund from a qualitative point of view, respondents were asked to answer questions on the development and adoption of a code of corporate governance practices and how the performance of the Board and its sub-committees and management was monitored and evaluated. All 5 respondents were able to confirm that a code of corporate governance practices existed and the performance of the Board and its sub-committees and management was evaluated. It was determined that the Pension Fund had implemented new corporate governance practices in the year 2006 which had been continually improved. Respondents identified the achievement of top position by the Pension Fund at the Champion of Governance (COG) Awards 2013 as a testament of implementation and adoption of good corporate governance practices. It was also noted that

the performance of management was evaluated quarterly based on targets that were agreed upon by employees and supervisors.

These findings from the analysis of both quantitative and qualitative data infer that Kenya Power Pension Fund had generally adopted and implemented good corporate governance practices.

4.3.2 Administrative Efficiency in Kenya Power Pension Fund

In order to further determine whether corporate governance practices had improved administration efficiency of Kenya Power Pension Fund, the respondents were requested to indicate their level of agreement on the extent to which efficiency of the administrative function of the Pension Fund had improved over the years. The responses were rated on a five point Likert scale where: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. Table 4.9 below illustrates the study findings. From the study findings, the majority of the respondents agreed that; the resolution of queries regarding the Fund has improved (Mean=4.2800), the communication channels has improved interactions with members (Mean=4.2400), regular updates on services offered by the Fund have improved (Mean=4.1400), services in general provided by the Fund have improved in the last five years (Mean=4.1600), the internal control systems to monitor and mitigate risks has improved (Mean=4.1200), the mechanism for members to make complaints regarding service provision has improved (Mean=4.0800) respectively.

Table 4.9 Administrative Efficiency in Kenya Power Pension Fund

	Mean	Std. Deviation
To what extent have regular updates on services offered by the Fund improved	4.1400	0.85738
To what extent has resolution of your queries regarding the Fund improved	4.2800	0.72955
To what extent has the internal control systems to monitor and mitigate risks improved	4.1200	0.89534
To what extent have the communication channels improved interactions with members	4.2400	0.82214
To what extent has the mechanism for members to make complaints regarding service provision improved	4.0800	0.94415
To what extent have services in general provided by the Fund improved over the years	4.1600	0.95533

To get an idea of the administrative efficiency in the Pension Fund from a qualitative point of view, respondents were asked to answer questions on whether the Board reviewed the effectiveness of risk management and internal control systems; and whether the Board regularly reviewed and evaluated the effectiveness of administration services. All 5 respondents were able to confirm that internal control systems were evaluated by an external consultant on a quarterly basis and a large proportion of targets for employees were geared towards improvement of administrative services. It was determined that the Pension Fund had implemented an ambitious member education program with a view of determining members' service requirements. It was also noted that the Pension Fund had begun carrying out member satisfaction surveys, introduced a newsletter and developed an interactive website with a view of improving services to members.

These findings from the analysis of both quantitative and qualitative data infer that adoption of corporate governance practices has contributed to the improvement of the administrative efficiency of Kenya Power Pension Fund. Through the new corporate governance practices, there has been improvement in the service levels.

4.3.3 Administrative issues affecting the Pension Fund

In order to further determine the administrative issues affected by corporate governance practices of Kenya Power Pension Fund, the respondents were requested to indicate their level of agreement on various statements regarding administrative issues affecting the Pension Fund. The issues selected were aimed at determining the level of improvement of delivering services to members. The responses were rated on a five-point Likert scale where: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. Table 4.10 below illustrates the study findings. From the study findings, the majority of the respondents agreed that; the Fund has a Quality Management System and procedures that are compliant with ISO standards (Mean=4.3600), members are paid their benefits promptly after they become due (Mean=4.3600), the number of member complaints regarding delayed payment of benefits is on the decline (Mean=4.1600), the Fund's AGM's are characterised with positive feedback from members regarding services (Mean=4.1400) respectively.

Table 4.10 Administrative issues affecting the Pension Fund

	Mean	Std. Deviation
Member are paid their benefits promptly after they become due	4.3600	1.00529
The number of member complaints regarding delayed payment of benefits is on the decline	4.1600	0.95533
The Fund's AGM's are characterised with positive feedback from members regarding services	4.1400	0.96911
The Fund has a Quality Management Systems and procedures that are compliant with ISO standards	4.3600	0.94242

While responding to questions on whether the Board regularly reviewed and evaluated the effectiveness of administration services, all 3 respondents that were employees of the Pension Fund noted that the Fund had implemented a Quality Management System whose emphasis was on continual improvement of services to members. It was also determined that the Pension Fund had been able to achieve a target of paying benefits to members in a record 3 days.

These findings from the analysis of both quantitative and qualitative data depict that the good corporate governance practices being implemented have improved the administrative efficiency of Kenya Power Pension Fund.

4.3.4 Hypotheses Testing

The study utilized *t* test in testing the following hypotheses:

H0 Corporate Governance has no positive effect on administrative efficiency of Kenya Power Pension Fund

H1 Corporate Governance has a positive effect on administrative efficiency of Kenya Power Pension Fund

The results obtained are as follows:

Table 4.11 : Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 corporate governance practices	4.7273	33	.62614	.10900
administration efficiency	4.0606	33	.86384	.15037

In this case, corporate governance practices had a mean of 4.7273, and Standard deviation of .626 while administration efficiency, had a mean score of 4.0606 with a standard deviation of .86384.

Table 4.12: Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 corporate governance practices & administration efficiency	33	.609	.000

The results indicate that the parametric Pearson correlation or 'r' value is positive at 0.609 and the p-value (Sig) for the correlation coefficient is less ($p < .05$) and significant.

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 corporate governance practices & administration efficiency	.66667	.69222	.12050	.42122	.91212	5.533	32	.000

From the findings, the t calculated at 32 degrees of freedom at 95% confidence interval of the difference = 5.533. Since $p=.000$ (less than 0.05 at 95% level of confidence), we accept the alternative hypothesis (H1) that corporate governance practices have an effect on administration efficiency of Kenya Power Pension Fund.

4.4 Impact of Corporate Governance on Investment Returns of Kenya Power Pension Fund

This section was designed to address the second research question concerning whether corporate governance practices have improved investment returns of Kenya Power Pension Fund. While the factors investigated apply specifically to Kenya Power Pension Fund, they can also be extrapolated to show whether corporate governance practices can improve investment returns of Pension Funds in Kenya.

The research first sought to determine whether good corporate governance practices had been incorporated in the investment management decisions of the Pension Fund and second to determine whether investment returns of the Pension Fund had improved.

4.4.1 Corporate Governance in Investment Management Decision

In order to establish whether corporate governance practices on investment returns in Kenya Power Pension Fund, the respondents were requested to rate the extent to which corporate governance practices have been incorporated in the Pension Fund's investment management decisions. The responses were rated on a five point Likert scale where: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. Table 4.11 below illustrates the study findings. From the study findings, the majority of the respondents agreed that; the Fund's assets are more diversified in different asset classes as compared to the past (Mean=4.3000), members receive satisfactory responses to queries regarding investment performance of the Scheme (Mean=4.2200), the Fund has improved on reporting on the status of investments (Mean=4.1600), the Fund has increased its reliance on relevant professional advisors in making investment decisions (Mean=4.1400) respectively.

Table 4.13 Corporate Governance in Investment Management Decision

	Mean	Std. Deviation
To what extent has the Fund increased its reliance on relevant professional advisors in making investment decisions.	4.1400	1.03036
To what extent are the Fund's assets more diversified in different asset classes as compared to the past	4.3000	0.93131
To what extent do members receive satisfactory responses to queries regarding investment performance of the Scheme	4.2200	0.97499
To what extent has the Fund improved on reporting on the status of investments	4.1600	1.01740

To get an idea of the extent to which corporate governance practices have been incorporated in the Pension Fund’s investment management decisions from a qualitative point of view, respondents were asked to whether the Board reviewed the effectiveness of the Fund’s Statement of Investment Principles (SIP). All 5 respondents were able to confirm that the Fund’s SIP was reviewed annually to determine continued relevance and confirm compliance. It was further confirmed that the Pension relied on a variety of investment professionals including actuaries, auditors and investment managers to assist in the preparation of the SIP.

These findings from the analysis of both quantitative and qualitative data infer that that corporate governance practices had been incorporated in the investment management decisions of the Pension Fund.

4.4.2 Investment Performance of Kenya Power Pension Fund

In order to further establish whether corporate governance practices improved investment returns in Kenya Power Pension Fund, the respondents were requested to indicate their level of agreement on various statements regarding the investment performance of their pension scheme. The responses were rated on a five point Likert scale where: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. Table 4.9 below illustrates the study findings. From the study findings, the majority of the respondents agreed that; the investment returns reported by the fund have improved over the years (Mean=4.4000), the fund’s AGM’s are characterised with positive feedback from members regarding investment returns (Mean=4.2400), the level of pension benefits paid by the fund are better than those paid by other pension schemes (Mean=4.2400), the amount of pension benefits paid by the fund have improved over the years (Mean=4.1200) respectively.

Table 4.14 The investment performance of your pension scheme

	Mean	Std. Deviation
The amount of pension benefits paid by the fund have improved over the years	4.1200	0.91785
The level of pension benefits paid by the fund are better than those paid by other pension schemes	4.2400	0.93808
The investment returns reported by the fund have improved over the years	4.4000	0.69985
The fund’s AGM’s are characterised with positive feedback from members regarding investment returns	4.2400	0.84660

To get an idea of whether corporate governance practices improved investment returns in Kenya Power Pension Fund from a qualitative point of view, respondents were asked to whether the investment returns achieved by the Fund were above the average returns as reported by industry surveys. All 5 respondents were able to confirm that the Fund's returns were usually in the 75th percentile of returns as reported in the Alexander Forbes Financial Services (AFFS) Pension Scheme Surveys prepared quarterly, placing the Fund's returns way above the market average returns reported in the surveys.

These findings from the analysis of both quantitative and qualitative data infer that the good corporate governance practices being implemented have improved the investment returns of Kenya Power Pension Fund.

4.4.3 Hypotheses Testing

The study utilized *t* test in testing the following hypotheses:

H0 Corporate Governance has no positive effect on investment returns in Kenya Power Pension Fund

H1 Corporate Governance has a positive effect on investment returns in Kenya Power Pension Fund

The results obtained are as follows:

Table 4.15: Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 corporate governance practices	4.7273	33	.62614	.10900
Investment returns.	4.0303	33	1.10354	.19210

The results indicate that corporate governance practices had a mean of 4.7273, and standard deviation of .626 while investment returns, had a mean score of 4.0303 with a standard deviation of 1.10354

Table 4.16: Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 Corporate governance practices & Investment returns.	33	.600	.000

The results indicate a parametric Pearson correlation or ‘r’ value at 0.600 and the p-value (Sig) for the correlation coefficient is less ($p < .05$) and significant.

Table 4.17: Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Corporate governance practices & Investment returns.	.6969	.88335	.15377	-.38375	1.01019	4.533	32	.000

From the findings, the t calculated at 32 degrees of freedom at 95% confidence interval of the difference = 4.533. Since $p=.000$ (less than 0.05 at 95% level of confidence), we accept the alternative hypothesis (H1) that corporate governance has an effect on investment returns in Kenya Power Pension Fund.

4.5 The Role of Corporate Governance in Kenya Power Pension Fund in Attracting and Retaining Kenya Power Employees

This section was designed to address the third research question which sought to determine whether corporate governance practices in Kenya Power Pension Fund helped to attract and retain employees of Kenya Power. While the factors investigated apply specifically to Kenya

Power. The results can also be extrapolated to determine whether corporate governance practices in Pension Funds help to attract and retain employees in organisations in Kenya.

The research sought to determine whether good corporate governance practices in Kenya Power Pension Fund had helped attract and retain employees of Kenya Power, to achieve this, the respondents were requested to indicate their level of agreement on statements regarding the Pension Fund and its role in attracting and retaining Kenya Power employees. The responses were rated on a five point Likert scale where: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. Table 4.13 below illustrates the study findings. From the study findings, the majority of the respondents agreed that; employees of Kenya Power don't leave employment due to the accountability of the Pension Fund's Trustees (Mean=4.0800), employees of Kenya Power don't leave employment due to the level of pension benefits paid by the Fund (Mean=4.0400), Kenya Power has cited the Pension Fund as one of the reasons employees want to remain in employment (Mean=4.0400), Kenya Power has cited the Pension Fund as one of the reasons employees want to join the company (Mean=3.9800), the number of members who leave Kenya Power without withdrawing their benefits has increased due to increased confidence with the Trustees (Mean=3.8000) respectively.

Table 4.18 Pension Fund in Attracting and Retaining Kenya Power Employees

	Mean	Std. Deviation
employees of Kenya Power don't leave employment due to the level of pension benefits paid by the Fund	4.0400	1.21151
employees of Kenya Power don't leave employment due to the accountability of the Pension Fund's Trustees.	4.0800	1.19249
the number of members who leave Kenya Power without withdrawing their benefits has increased due to increased confidence with the Trustees.	3.8000	1.19523
Kenya Power has cited the Pension Fund as one of the reasons employees want to join the company.	3.9800	1.15157
Kenya Power has cited the Pension Fund as one of the reasons employees want to remain in employment	4.0400	1.22824

To get an idea of whether new corporate governance practices in Kenya Power Pension Fund helped to attract and retain employees of Kenya Power from a qualitative point of view, respondents were asked if, in their opinion the decision by Kenya Power employees to join or leave employment was influenced by either the Fund's level of benefits or the accountability of Trustees; and whether the number of members who left Kenya Power but did not withdraw their benefits from the Pension fund increased. All 5 respondents stated that they felt that the Pension Fund influenced the leaving decision of Kenya Power employees but thought the

joining decision was not influenced by the Pension Fund. The respondents however unanimously agreed that the number of members who left their benefits in the Pension Fund had increased and exit interviews had determined that their choice to leave the benefits had been influenced by the high investment returns that had been achieved by the Pension Fund, a function of the Trustees' ability to prudently manage the affairs of Pension Fund.

These findings from the analysis of both quantitative and qualitative data inferred that the corporate governance practices helped to attract and retain employees of Kenya Power.

4.5.1 Hypotheses Testing

The study utilized *t* test in testing the following hypotheses:

H0 Corporate Governance has no positive effect on Kenya Power's ability to attract and retain employees

H1 Corporate Governance has a positive effect on Kenya Power's ability to attract and retain employees

The results obtained are as follows:

Table 4.19: Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 corporate governance practices	4.7273	33	.62614	.10900
Attracting and retaining employees	3.9697	33	1.21153	.21090

From the findings, corporate governance practices had a mean of 4.7273, and standard deviation of .626 while attracting and retaining employees, had a mean score of 3.9697 with a standard deviation of 1.21153

Table 4.20: Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 corporate governance practices & Attracting and retaining employees	33	.483	.004

The results indicate a parametric Pearson correlation or ‘r’ value at 0.483 and the p-value (Sig) for the correlation coefficient is less ($p < .05$) and significant.

Table 4.21: Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 corporate governance practices & Attracting and retaining employees	.75758	1.06155	.18479	-.38117	1.13399	4.100	32	.000

From the findings, the t calculated at 32 degrees of freedom at 95% confidence interval of the difference = 4.100. Since $p=.000$ (less than 0.05 at 95% level of confidence), we accept the alternative hypothesis (H1) that corporate governance practices have a positive effect on Kenya Power’s ability to attract and retain employees

4.6 Chapter Summary

The chapter presented the feedback obtained from the respondents who consisted of Trustees, employees and members of Kenya Power Pension Fund. The findings presented in the form of graphs, pie-charts and tables are largely consistent with existing literature on the research questions. The next chapter will discuss these findings. Conclusions and recommendations will also be made based on the results that have been presented in chapter 4.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations of the study in line with the purpose of the study aimed at determining whether good corporate governance practices have improved the performance of Kenya Power Pension Fund.

5.2 Summary

The purpose of the study was to determine whether corporate governance practices improved performance of Kenya Power Pension Fund. In specific the study aimed to determine whether corporate governance practices improved administration efficiency of Kenya Power Pension Fund, to establish whether corporate governance practices improved investment returns in Kenya Power Pension Fund and to determine whether corporate governance practices improved Kenya Power's ability to attract and retain employees. The research design was descriptive research. The population involved was Trustees, employees and members of Kenya Power Pension Fund. Quantitative data was analyzed using descriptive statistics while qualitative data was analyzed using content analysis. The sample size for the quantitative research of the study consisted of 45 members of the pension fund who were selected using simple random sampling technique while the sample size for the qualitative research of the study consisted of 2 Trustees and 3 employees out of a population of 5,194.

On the corporate governance practices in the Pension Fund the study established that a code of corporate governance practices existed and the Board had formed sub-committees whose performance together with that of management was evaluated. The Pension Fund had also won a top award at the Champions of Governance (COG) Awards 2013 an indicator of having adopted excellent corporate governance practices. Therefore, Kenya Power Pension Fund has generally adopted and implemented good corporate governance practices.

On administrative efficiency, the study found out that there was improved administrative efficiency in Kenya Power Pension Fund through improved resolution of queries, enhanced communication, and improved service delivery. The internal control systems to monitor and mitigate risks as well as mechanisms for members to make complaints regarding service provisions had also improved. The Pension Fund had also implemented an ambitious member education program with a view to determine members' service requirements. The study

further determined that the Fund had implemented a Quality Management System to enable continual improvement of services to members and the Board regularly reviewed and evaluated the effectiveness of administration services. It was also confirmed through a *t* test that corporate governance practices have a positive effect on administration efficiency of Kenya Power Pension Fund was accepted. Thus, the corporate governance practices that have been implemented have improved the administrative efficiency of Kenya Power Pension Fund.

On investment returns, the study determined that the corporate governance practices being implemented had been incorporated in the Pension Fund's investment management decisions with its assets being more diversified and having enhanced reporting on investments. The Pension Fund had also increased its reliance on professional advisors and had a Statement of Investment Principles which was reviewed annually to determine its continued relevance. The study further determined that investment performance had improved over the years with benefits paid to members and investment returns reported improving. It was also confirmed through a *t* test that corporate governance practices had a positive effect on investment returns in Kenya Power Pension Fund. Thus, the corporate governance practices that have been implemented have improved the investment returns of Kenya Power Pension Fund.

On attracting and retaining Kenya Power employees, the study established that the Pension Fund influenced the employees' turnover decision of Kenya Power as the employees did not leave employment due to the level of pension benefits paid. The number of members who leave employment but left their benefits in the Pension Fund had increased owing to the high investment returns achieved by the Pension Fund, which was a function of the Trustees' ability to prudently manage the affairs of Pension Fund. It was also confirmed through a *t* test that corporate governance practices in the Pension Fund had a positive effect on Kenya Power's ability to attract and retain employees. Therefore, corporate governance practices in the Pension Fund had helped Kenya Power to attract and retain employees in Kenya Power.

5.3 Discussion

5.3.1 New Corporate Governance and administration efficiency of Kenya Power Pension Fund

The study found out that as part of their corporate governance practices that improved administrative efficiency the Kenya Power Pension Fund conducted AGM's for its members annually, prepared audited financial statements and made them available to members. These

findings were similar to those Maher, (2003), that identified accountability is an essential part of corporate governance which cannot be monitored or improved without accountability procedures. Ambachtsheer, (2011), found that in private pension schemes, organizational performance was strongly correlated with good mechanisms to understand and communicate with plan stakeholders.

The study also determined that improved efficiency was as a result of Kenya Power Pension Fund having formed board committees to deal with specialized matters such as audit, investments, governance, staff and administration. This finding was similar to findings by Hess and Impavido, (2003), who in their international study of pension funds found that boards of pension funds used committees as a strong monitoring mechanism as they focused specialized attention on management action. In addition according to the findings of Brown and Caylor (2004) internal governance factors such as board characteristics were associated with good performance more than most external factors.

The study findings also determined that the Pension Fund had a set quota for meetings of Trustees and that the Fund has developed and adopted a code of corporate governance practices. This infers that Kenya Power Pension Fund has adopted good corporate governance practices in its structures which is similar to the conclusions made by Faryadras (2004) in a study that determined that there was a positive relationship between structure and administrative performance. The find findings are also similar to Yang and Mitchell (2005) who found evidence that the composition of the board of trustees influenced the performance of pension funds.

The study also determined that the resolution of queries regarding the Fund had improved, the communication channels had improved interactions with members and regular updates on services offered by the Fund had improved. This infers that the new corporate governance practices have improved administration efficiency of Kenya Power Pension Fund. The findings are similar to results found by OECD (2009) who in a study determined that good corporate governance practices in the pension fund industry contributed to the maximization of the member's welfare, reduced the chances of litigation and resulted in improved investment performance, which increased efficiency. There is general consensus that proper risk management results in better financial results for pension funds as it focuses on a proactive approach to losses (Brunner, Hinz and Rocha 2008).

It was also determined that the internal control systems to monitor and mitigate risks had improved and the mechanism for members to make complaints regarding service provision has improved. The findings were corroborated by Stewart (2010) who identified a requirement by the board to set acceptable levels of risk; measuring, monitoring and controlling these risks; and ensuring that adequate and effective internal control systems were in place as a key responsibility of the board of trustees of a pension fund.

From the study findings, it was also established that administrative efficiency was improved as a result of the Fund having a Quality Management Systems and procedures that were compliant with ISO standards. This was evidenced by the fact that member were paid their benefits promptly after they become due, the number of member complaints regarding delayed payment of benefits was declining and the Fund's AGM's were characterized with positive feedback from members regarding services. The findings are similar to Yang and Mitchell (2005) who found evidence that in addition to the composition of the board of trustees, the reporting practices influenced performance of public pension funds.

It was also confirmed through a *t test* that corporate governance practices have an effect on administration efficiency of Kenya Power Pension Fund was accepted. According to Gifford (2004) proper ethical behavior in pension fund management minimizes compliance costs and ensures that the risks taken by the trustees are acceptable and within the appropriate thresholds as prescribed in the investment policy, thus improving efficiency.

5.3.2 New corporate governance practices and investment returns in Kenya Power Pension Fund

The study established that the Fund's assets were more diversified in different asset classes as compared to the past, findings that are corroborated by Useem and Mitchell (2000) who indicated that governance has a direct effect on how pension funds invested their assets. It was determined that as a result of asset diversification the Pension Fund had achieved higher returns which was similar to the findings of Ibbotson and Kaplan (2000) and Blake et al (1999), who concluded that asset allocation decisions are the major determinant of return variation over time. The findings are also corroborated by numerous scholars who have identified asset allocation as the most important determinant of returns of long-term funds (Ibbotson, 2010; Xiong, Ibbotson, Idzorek and Chen, 2010; Vardharaj and Fabozzi, 2007). In an analysis of the asset allocation policy and performance of U.S. and Canadian defined benefit pension funds, Andonov, Bauer and Cremers (2012) observed that the majority of

pension funds followed a standard asset allocation policy which was responsible for more than 50% of the variation in excess returns.

The study also established that members received satisfactory responses to queries regarding investment performance of the Pension Fund, reporting on the status of investments had improved and the Fund has increased its reliance on relevant professional advisors in making investment decisions that together led to improved returns, the study findings are similar to the general consensus from various studies that there were professional advisors who were able to deliver superior returns as compared to others. Kosowski et al. (2006) demonstrated that some growth-oriented mutual fund managers earned positive abnormal returns due to genuine skill rather than good luck. Chen et al. (2010) demonstrated that superior growth-oriented fund managers had growth timing abilities and revealed that growth timing accounted for about half of the abnormal returns earned by growth-oriented fund managers.

It was further established that the Pension Fund had investment targets and strategies which were detailed in a Statement of Investment Principles, which was reviewed annually to determine its continued relevance. The study further determined that investment performance had improved over the years with benefits paid to members and investment returns reported improving. It was also determined that the Pension Fund's returns achieved by the Fund were above the average returns as reported by industry surveys. The findings were similar to those of Ammann and Zingg (2008) who observed that good governance with respect to target setting and investment strategy had a positive relationship with investment performance in Swiss pension funds. Yang and Mitchell (2005) found evidence that the reporting practices influenced performance of pension funds corroborating the findings of improved reporting by Kenya Power Pension Fund.

It was also confirmed through a *t test* that corporate governance practices had an effect on investment returns in Kenya Power Pension Fund. Therefore, corporate governance practices had improved investment returns of Kenya Power Pension Fund. This confirmation is corroborated by findings of Clark and Urwin (2007) who in a study of a sample of large pension funds from 6 different countries dispersed across North America, Europe and Asia-Pacific, concluded that their superior performance was linked to strong governance. Their study identified various areas where the funds analyzed excelled, such as clarity of mission and effective risk management and performance monitoring.

5.3.3 The Role of Corporate Governance in Kenya Power Pension Fund in Attracting and Retaining Kenya Power Employees

The study determined that the number of members who leave employment but left their benefits in the Pension Fund had increased owing to the high investment returns achieved by the Pension Fund, which was a function of the Trustees' ability to prudently manage the affairs of Pension Fund. This finding is resonated by findings by Hales and Gough (2003) who in their research study investigating employees' perceptions of different types of pension schemes determined that there were different features of pension funds that employees were attracted to and concerned about. Among the concerns raised were level of contributions, projected retirement benefits, inadequate communication and advice, record keeping, transfer of benefits and annuities all of which are directly or indirectly related to the pension fund's corporate governance practices.

The study also established that the Pension Fund influenced the employees' turnover decision of Kenya Power as the employees did not leave employment due to the level of pension benefits paid. This finding is similar to that of the study carried out by Freidberg and Owyang (2005) who in particular determined that DB plans were highly effective recruitment and retention tools for employers.

It was also established that the Pension Fund had been cited as one of the reasons employees wanted to join Kenya Power. Watson and Wyatt (2005) similarly determined that employees of firms with a DB pension plan had twice the probability of citing the retirement plan as an important factor in choosing an employer as employees at firms with a DC pension plan and that employees of firms with DB pension plans placed a much greater importance on both attraction to and retention at their current employer than employees at firms with DC pension plans.

According to the study the pension fund had also been cited as one of the reasons employees want to remain in the employment of Kenya Power. The findings resonates with Almeida and Boivie (2009) who determined that employers and employees alike have long appreciated the role that retirement plans play as part of a competitive compensation package. In addition, Almeida and Boivie (2009) established that employees valued retirement plans because they provided a more cost-effective, streamlined way to build retirement wealth while employers cared about employees' retirement security prospects because of the fact that retirement plans, could be structured in a way so as to create incentives that enhanced their human resources

objectives of recruitment, retention and enhancing productivity of employees (Almeida and Boivie, 2009). Further, in a study done by Watson Wyatt (2005), it was determined that retirements plan's richness exerted a stronger effect on employee retention than attraction. In a survey MetLife (2008) found that 72% of employees had cited pension benefits as an important factor in their loyalty to their employer.

It was also confirmed through a *t test* that corporate governance practices in the Pension Fund had an effect on attracting and retaining employees of Kenya Power. Therefore, corporate governance practices in the Pension Fund had helped to attract and retain employees in Kenya Power. The confirmation of the relationship between governance and its effect on attracting and retaining employees of Kenya Power strengthens previous scholars' assertions that pension plans, depending on their structures, were capable of enhancing retention of workers. According to Andrietti and Hilderband (2004) workers in DC plans have lower mobility relative to uncovered workers.

DB pension plans and DC pension plans differ in various extents, DB pension plans tend to be weak in corporate governance areas that include control of investment decision-making, access to liquidity upon retirement, and the clarity of how wealth is accumulated. In cases where employees find the DB plan weaknesses intolerable, DC pension plans may actually increase retention. In fact, studies have found that, similar to DB plans,

5.4 Conclusion

5.4.1 New Corporate Governance and administration efficiency of Kenya Power Pension Fund

The study concludes that Kenya Power Pension Fund has a code of corporate governance practices and the performance of the Board and its sub-committees and management was evaluated. The Pension Fund has been implementing new corporate governance practices since 2006. Therefore, Kenya Power Pension Fund has generally adopted and implemented good corporate governance practices. The adoption of corporate governance practices has significantly improved administration efficiency of Kenya Power Pension Fund. Through the new corporate governance practices, there has been improvement in the service delivery. The study concludes that the good corporate governance practices being implemented have improved the administrative efficiency of Kenya Power Pension Fund.

5.4.2 New corporate governance practices and investment returns in Kenya Power Pension Fund

The study concludes that the Fund's target setting and investment strategy as contained in the SIP are reviewed annually to determine continued relevance and confirm compliance. The Pension Fund relied on a variety of investment professionals including actuaries, auditors and investment managers to assist in the preparation of the SIP. Therefore, the corporate governance practices have been incorporated in the investment management decisions of the Pension Fund. From the study findings, it was confirmed that the Fund's returns are usually in the 75th percentile of returns which is way above the market average returns reported in the surveys. This implies that the good corporate governance practices being implemented have improved the investment returns of Kenya Power Pension Fund.

5.4.3 The Role of Corporate Governance in Kenya Power Pension Fund in Attracting and Retaining Kenya Power Employees

The study concludes that the Pension Fund influences the employees' turnover decision of Kenya Power. The number of members who left their benefits in the Pension Fund had increased owing to the high investment returns achieved by the Pension Fund, which was a function of the Trustees' ability to prudently manage the affairs of Pension Fund. Thus, the new corporate governance practices adopted have contributed to attracting and retaining employees of Kenya Power.

5.5 Recommendations

5.5.1 Recommendations for improvement

5.5.1.1 New Corporate Governance and administration efficiency of Kenya Power Pension Fund

The study recommends that the staff of Kenya Power Pension Fund should be exposed to corporate governance training. This should be coupled with strict supervision of management by the Board of Trustees to ensure adherence to good corporate governance practices. This will help the staff remain focused on enhancing administrative efficiency of Kenya Power Pension Fund and improved service delivery.

5.5.1.2 New corporate governance practices and investment returns in Kenya Power Pension Fund

The study further recommends that the management of Kenya Power Pension Fund should strictly comply with the local and international regulations and corporate governance standards governing the management of Pension Funds. This will increase members' confidence in the Pension Fund as well as contribute towards improved investment returns in Kenya Power Pension Fund.

5.5.1.3 The Role of Corporate Governance in Kenya Power Pension Fund in Attracting and Retaining Kenya Power Employees

The study further recommends that the management of Kenya Power should always pay attention to the corporate governance practices of the Pension Fund and in particular practices that impact on investment performance of the Pension Fund as it was a key determinant in attracting and retaining Kenya Power Employees.

5.5.2 Suggestions for further studies

Since this study explored whether good corporate governance practices improved performance of Kenya Power Pension Fund, the study recommends that similar studies should be done in all Pension Funds in Kenya for comparison purposes and to allow for generalization of findings on whether corporate governance practices improved performance of Pension Funds.

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APPENDICES

Appendix I: Introductory Letter

For

Corporate Governance as a Strategy to Improve Performance in Pension Funds: A Survey of Kenya Power Pension Fund

Dear Respondent,

I am a graduate student at United States International University pursuing a Master in Business Administration (MBA) degree. As partial fulfillment of my Degree course, I am conducting a research to determine if corporate governance can be used as a strategy to improve performance of pension funds.

Any information provided will be treated with utmost confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated.

I look forward to your prompt response.

Thank you for your cooperation.

Yours faithfully,

Henry Kyanda

0722 843 866

Appendix II: Questionnaire

In Part A please respond to the questions by ticking in the boxes provided

Part A: Demographic information

1. What is your Gender

Male []

Female []

2. What age bracket do you fall in?

Below 30 year [] 30 - 40 years [] 41- 50 years []

51 – 60 years [] Above 60 years []

3. What is the highest level of education you have attained?

Primary Level [] High School Certificate [] Post Secondary Certificate or Diploma []
Bachelor's Degree [] Masters Degree [] Doctorate Degree []

4. In which staff category do you belong to?

Union []

Management []

Executive []

5. What is the status of your Membership?

In-service member [] Deferred Member [] Retired Member []

6. How many years have you been a member of the Pension Fund?

Below 1 year [] 2 - 5 years [] 6 - 10 years []

11 – 15 years [] Above 15 years []

In Part B you have been provided with five (5) choices from which to pick. You are required to rate your response on a five point likert scale as appropriate:

1= no extent 2= less extent, 3= moderate extent, 4= great extent and 5= very great extent.

or

1= strongly disagree 2= disagree, 3= neutral, 4= Agree and 5= Strongly agree.

Part B: Corporate Governance and Kenya Power Pension Fund Performance

Section I: Corporate Governance in Kenya Power Pension Fund

7. How would you rate the extent to which the Pension Fund has implemented good corporate governance?

	Strongly disagree	disagree	Neutral	Agree	Strongly agree
The Fund conducts AGM's for its members annually					
The Fund has developed and adopted a code of corporate governance practices					
The Fund has formed board committees to deal with specialised matters such as audit, investments, governance, staff and administration.					
The Fund has appointed an organisation and/or persons to carry out internal audits					
The Fund publically announces the biodata and qualifications of the Trustees					
The Fund has a set quota for meetings of Trustees					
The fund prepares audited financial statements and makes them available to members					

Section II: Administrative Efficiency in Kenya Power Pension Fund

8. How would you rate the extent to which efficiency of the administrative function of the Pension Fund has improved in the last five years?

	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
To what extent have regular updates on services offered by the Fund improved					
To what extent has resolution of your queries regarding the Fund improved					
To what extent has the internal control systems to monitor and mitigate risks improved					
To what extent have the communication channels improved interactions with members					
To what extent has the mechanism for members to make complaints regarding service provision improved					
To what extent have services in general provided by the Fund improved in the last five years					

9. To what extent do you agree with the following statements regarding administrative issues affecting the Pension Fund?

	Strongly disagree	disagree	Neutral	Agree	Strongly agree
Member are paid their benefits promptly after they become due					
The number of member complaints regarding delayed payment of benefits is on the decline					
The Fund's AGM's are characterised with positive feedback from members regarding services					
The Fund has a Quality Management Systems and procedures that are compliant with ISO standards					

Section III: Investment Performance of Kenya Power Pension Fund

10. How would you rate the extent to which corporate governance practices have been incorporated in the Pension Fund’s investment management decisions?

	No extent at all	Less extent	Moderate extent	Great extent	Very great extent
To what extent has the Fund increased its reliance on relevant professional advisors in making investment decisions.					
To what extent are the Fund’s assets more diversified in different asset classes as compared to the past					
To what extent do members receive satisfactory responses to queries regarding investment performance of the Scheme					
To what extent has the Fund improved on reporting on the status of investments					

11. To what extent do you agree with the following statements regarding the investment performance of your pension scheme?

	Strongly disagree	disagree	Neutral	Agree	Strongly agree
The amount of pension benefits paid by the fund have improved over the years					
The level of pension benefits paid by the fund are better than those paid by other pension schemes					
The investment returns reported by the fund have improved over the years					
The fund’s AGM’s are characterised with positive feedback from members regarding investment returns					

Section IV: Role of Kenya Power Pension Fund in Attracting and Retaining Kenya Power Employees

12. To what extent do you agree with the following statements regarding the Pension Fund and its role in attracting and retaining Kenya Power employees?

	Strongly disagree	disagree	Neutral	Agree	Strongly agree
Employees of Kenya Power don't leave employment due to the level of pension benefits paid by the Fund					
Employees of Kenya Power don't leave employment due to the accountability of the Pension Fund's Trustees.					
The number of members who leave Kenya Power without withdrawing their benefits has increased due to increased confidence with the Trustees.					
Kenya Power has cited the Pension Fund as one of the reasons employees want to join the company.					
Kenya Power has cited the Pension Fund as one of the reasons employees want to remain in employment					

Appendix III: Interview Guide

Corporate Governance Practices

- 1) Has the Board developed and adopted a code of corporate governance practices?
- 2) How is the performance of the Board, its sub-committees and management monitored and evaluated?

Administrative Efficiency

- 3) How does the Board review the effectiveness of risk management and internal control systems?
- 4) Does the Board regularly reviews and evaluates the effectiveness of administration services?

Investment Performance

- 5) Does the Board review the effectiveness of the Fund's statement of investment principles?
- 6) Are the investment returns achieved by the Fund above the average returns as reported by industry surveys?

Attracting and retaining Kenya Power Employees

- 7) In your opinion do you think that the decision by Kenya Power employees to join or leave employment is influenced by either the Funds level of benefits or the accountability of Trustees?
- 8) Has the number of members who leave Kenya Power but do not withdraw their benefits from the Pension Fund increased?