A STUDY TO ESTABLISH THE FACTORS AFFECTING THE PERFORMANCE PERSISTENCY OF RETIREMENT BENEFIT FUND MANAGERS IN KENYA

BY
REGE BERNARD AMOLLO
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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than The University of Nairobi for academic credit. I further declare that I followed all the applicable ethical guidelines in the conduct of the research project.

Rege Bernard Amollo

Signed: 09/06/13

Date:

This research proposal has been submitted for examination with my approval as a University Supervisor

Ms. Marie Wanjeri Mugo

Signed: 26/06/13

Date:
ABSTRACT

The study was undertaken to investigate the factor affecting the performance persistency of Retirement Benefit Fund Managers in Kenya. The three objectives of the study were: - to assess the level of persistency needed for performance as a determinant by sponsoring a pension plan, to determine whether fund managers consistency add value to the performance of the funds under their management and to investigate the influence of performance on investment funds.

The study adopted a descriptive Research Design and the target population was 265 segregated retirement benefit schemes selected from 10 fund managers. The research instrument used in the study were self administered questionnaires and guaranteed funds.

The data collected was both qualitative and quantitative in nature. The qualitative data was drawn from the RBA systems analysis, which involved averaging abnormal returns across the fund under a fund manager, which was both equally weighted by fund size. Performance of a fund manager was computed by averaging the abnormal returns of the pension funds managed by a fund manager for each year. While the quantitative data was analyzed through the use of tables and charts.

The study found evidence of performance persistency of retirement benefit fund managers in Kenya where it analyzed a data set of 265 segregated retirement benefit schemes as managed by 10 fund managers. In analysis, the study used CAPM model in computing each of the 265 schemes abnormal returns by
regressing each schemes income rate with the excess market return, size factor and book to market factor to obtain the standardized parameters for the model which was then used in calculating the abnormal returns for each of the schemes which were further averaged for each fund managers. Data was provided by the RBA.

The study recommends that further studies be carried out especially for the schemes that hop fund managers: Since retirement benefit is a key area in an economy of any country as it is an important avenue for old age lifestyle of a nation.