

AN EVALUATION OF THE EFFECTS OF SHIFTING FROM
DEFINED BENEFIT TO DEFINED CONTRIBUTION PLAN IN
THE PUBLIC INSTITUTIONS IN KENYA; A CASE STUDY OF
THE NSSF EMPLOYEES PENSION SCHEME.

BY

SHADRACK MAKORI

BBM (DL) 112/20012

A RESEARCH PROJECT SUBMITTED TO MOUNT KENYA UNIVERSITY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELOR OF
BUSINESS MANAGEMENT

JUNE, 2014

Abstract:

Freezing defined benefit (DB) pension plans and replacing them with defined contribution (DC) plans worsens financial leverage and investment. The Government seem to favor the pension freeze given that financing DB plan schemes in public institutions is stressing the government budget. There is little reliable evidence that the freeze increases investment efficiency and long-term stock performance.

The most common strategy for putting an end to new accruals is a pension freeze. By freezing Defined benefit plan and increasing employee participation in Defined contribution plan, corporate firms relax the mandatory nature of future benefits payments give themselves greater future flexibility and reduce there operating leverage. On the other hand, freezing Defined benefit plan for Defined contribution plan affects an employee on higher Defined contribution plan administrative costs, Asset allocation and investment return disadvantage, disability and survivors benefits not offered in Defined contribution plan and longevity risk and leakage in Defined contribution plan. Therefore, the objective of this study on the NSSF employees pension plan is to find out whether freezing Defined benefit for Defined contribution retirement plan can worsen the retirees pension.

Data will be analyzed using the descriptive statistics (frequency distribution tables and means) and the same will be presented in graphs, tables and pie-charts. Descriptive statistics will also be used to present the summary data.