

EFFECT OF RISK BASED SUPERVISION ON FINANCIAL
PERFORMANCE OF PENSION SCHEMES IN KENYA
(A CASE OF NSSF)

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ABSTRACT

An increasing number of African countries have recently initiated reform of their pension and social protection systems. Over the last decade, Kenya has also undertaken a major reform of parts of its pension system, specifically in the areas of risk management and pension schemes' supervision. 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.

This study sought to establish the effect of risk based supervision on financial performance of pension schemes in Kenya. The study was done on Kenyan pension funds at aggregate level using quarterly data on fund value as well as the asset classes in which the scheme funds were invested. The data was from between June 2009 through June 2014. Multiple regression models was used to determine the relationship between financial performance before and after the implementation of risk based supervision.

The findings of this research project have indicated that the implementation of risk based supervision has had a significant positive effect on the financial performance of pension in Kenya. The study concludes by indicating that the financial performance of pension funds in Kenya was better in the period after which risk based supervision was adopted and implemented and providing recommendations on the policy reforms.