

Abstract

The major function of pension funds is to provide ways for individuals to build up financial savings during their effective or working life in preparation for the funding of the consumption requires when they retire from active employment. Pension funds are the major sources of retirement income for many individuals worldwide. Despite the pension sub-sector growing, the faster growth in pension liabilities relative to assets as well as increasing life expectancy has elevated funding risks. In the defined contribution schemes, unremitted contributions have increased due to poor economic performance and the insufficient funding of quasi government schemes. This study sought to analyze the factors affecting financial performance of pension schemes in Kenya. The study specific objectives were to determine the influence of risk management, membership age, member contribution and firm size to determine their effect on the financial performance of the pension schemes. The study used 34 individual retirement benefits schemes registered with the Retirement Benefit Authority. The study used data for the period 2012-2021. The results revealed that there was a positive and significant relationship between risk management and financial performance of pension schemes. There was a negative and insignificant relationship between age of scheme members and financial performance of pension schemes. Member contribution had a positive and significant relationship with financial performance of pension schemes. Firm size revealed a positive and significant relationship with financial performance of pension schemes in Kenya. The null hypothesis on risk management, member contribution and firm size were rejected while that of age of the scheme members was not rejected. The study concluded that there is a strong correlation between risk management, age of scheme members, member contributions and firm size on financial performance of pension funds. The study recommended that pension funds should use the increasing value of their funds to generate returns for the pensioners. In addition, there is need to utilize assets to generate income for the pension funds and include the needs of the different age brackets in the management of the pension schemes.

Keywords: Risk Management, Membership Age, Member Contribution and Firm Size Financial Performance & Pension Schemes