

**Title: Quantifying Idiosyncratic Risk in Defined Benefit Pension Schemes in Kenya**

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**Abstract**

Pension schemes are prone to numerous risks that could affect the funds resulting in payments different from those that were guaranteed on entrance into the scheme. This study sought to measure the idiosyncratic risk in a sample of defined benefit schemes in Kenya, based on a model by Catherine Donnelly, a fellow of the Institute and Faculty of Actuaries. The study was conducted in Nairobi between August 2013 and February 2014. Data was collected from five civil service defined benefit schemes still in operation. The idiosyncratic risk was quantified using the coefficient of variation of each scheme's liability with respect to its expected value. Each scheme presented different levels of the risk based on factors such as the number of scheme members, their ages, salaries and expected pension benefit. The results suggested that the levels of idiosyncratic risk could be reduced by increasing the number of scheme members and that different job classes within the scheme further affected the risk level of the scheme.