

**IMPACT OF PENSION ADMINISTRATION ON EMPLOYEES IN NIGERIA:
A STUDY OF PREMIUM PENSION LIMITED.**

BY

YARO Christ Andrew
MBA/ADMIN/06304/2006-2007
(G06/BAMP/7171)

BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL OF
AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION (MBA)

DEPARTMENT OF BUSINESS ADMINISTRATION,
FACULTY OF ADMINISTRATION,
AHMADU BELLO UNIVERSITY, ZARIA

JULY, 2009

DECLARATION

I declare that the work in the project report entitled **IMPACT OF PENSION ADMINISTRATION ON EMPLOYEES IN NIGERIA: A STUDY OF PREMIUM PENSION LIMITED.** has been performed by me in the Department of Business Administration. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this project report was previously presented for another degree or diploma at any university.

Name of Student

Signature

Date

CERTIFICATION

This project entitled "**IMPACT OF PENSION ADMINISTRATION ON EMPLOYEES IN NIGERIA: A STUDY OF PREMIUM PENSION LIMITED.**"

by Yaro Christopher Andrew meets the partial requirements governing the award of Degree of Master of Business Administration, Ahmadu Bello University, Zaria and is certified for its contribution to knowledge and literary presentation.

Mr.J.C Onu

Chairman Supervisory Committee

_____ Signature

_____ Date

Dr.S.Bello

Head of Department

_____ Signature

_____ Date

External supervisor

_____ Signature

_____ Date

Prof. S.N Nkom

Dean of Postgraduate School

_____ Signature

_____ Date

DEDICATION

I dedicate this project work to the Holy Spirit who gives wisdom and knowledge to all who ask of him, my loving wife Blessing Yaro, my son Sammy Boy and my entire family members. To my unborn baby, daddy is waiting for you pinky.

ACKNOWLEDGEMENT

For every beginning there will surely be an end and however this project wouldn't have been possible without the tireless effort of Mr. A.J.C. Onu my supervisor who has always been there for me.

Worthy of mention are Suleiman Saka Jimoh for his brotherly advice, my teeming friends for their moral support, my family for their unreserved understanding whom I have to leave behind due to demand of the programme, and all my bosses for her contribution towards actualizing this project. To my spiritual fathers; Rev & Rev (Mrs) Bob Alonge, Pastor & Pastor (Mrs) Donald Ukeh and Pastor Emma Laniyj thank you for the spirit of excellence that you put in me I am most grateful for connecting to you.

To all of you I am indebted may Jesus Christ reward you abundantly, amen

ABSTRACT

*The primary objective of this research work is to carry out proper investigation as regards to the **"IMPACT OF PENSION ADMINISTRATION ON EMPLOYEES IN NIGERIA** and to highlight the result of investigation. The main focus is the introduction of Pension scheme as it is implied in organization, the background to the study as well as the statement of general problems and significant of the study were discussed in the initial chapter. A comprehensive review of related literatures of different authors use also made. Here, we have conceptual domain of pension, were it was defined by several scholars and its importance conferred appraisal. Primary data were gathered through the utilization of personal interviews and detailed questionnaires. The total population size of the Premium pension ltd staff and client use estimated to be hundred and fifty which were sent questionnaire and one hundred and thirty-three responded to the question asked, which were later tabulated in the subsequent analysis. The sample random sampling is the method used by the researcher in determining the sample and sampling techniques used is the purposive type. Also the statistical technique used in testing the hypothesis was the chi-square statistical method. The data collected from respondent were presented and analyzed with simple percentage. So, the results of the findings show that pension Administration has great impact on Employee in Nigeria.*

TABLE OF CONTENT

Title page	-	-	-	-	-	-	-	-	-	i
Declaration	-	-	-	-	-	-	-	-	-	ii
Certification	-	-	-	-	-	-	-	-	-	iii
Dedication	- -	-	-	-	-	-	-	-	-	iv
Acknowledgement	-	-	-	-	-	-	-	-	-	v
Abstract	-	-	-	-	-	-	-	-	-	vi
Table of content	-	-	-	-	-	-	-	-	-	vii

CHAPTER ONE: INTRODUCTION

1.1	Background to the study	-	-	-	-	-	-	-	-	1
1.2	Statement of the problem	-	-	-	-	-	-	-	-	3
1.3	Objectives of the study	-	-	-	-	-	-	-	-	4
1.4	Significance of the study	-	-	-	-	-	-	-	-	5
1.5	Research hypothesis	-	-	-	-	-	-	-	-	5
1.6	Scope of research	-	-	-	-	-	-	-	-	6

CHAPTER TWO LITERATURE REVIEW

2.1	Leadership	-	-	-	-	-	-	-	-	7
2.1.1	Definition of leadership	-	-	-	-	-	-	-	-	7
2.2	Approaches to leadership	-	-	-	-	-	-	-	-	8
2.2.1	Trail approach to leadership	-	-	-	-	-	-	-	-	9

2.2.2	The behavioural Approach to leadership	-	-	-	-	-	-	10
2.2.3	Contingency Approach to leadership	-	-	-	-	-	-	12
2.3	Leadership style	-	-	-	-	-	-	14
2.3.1	Autocratic leadership style	-	-	-	-	-	-	16
2.3.2	Democratic leadership style	-	-	-	-	-	-	17
2.3.3	The Laissez fair leadership style	-	-	-	-	-	-	18
2.4	Leadership model	-	-	-	-	-	-	18
2.4.1.	Situation leadership models	-	-	-	-	-	-	18
2.4.2	Leader participation model	-	-	-	-	-	-	20
2.4.3	Path Goal model of leadership	-	-	-	-	-	-	25
2.5	The Role of a leader	-	-	-	-	-	-	28
2.6	Effective leadership in Relation to productivity in an organization-							29

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	Introduction	-	-	-	-	-	-	34
3.2	Research Design	-	-	-	-	-	-	34
3.3	Population of the study	-	-	-	-	-	-	36
3.4	Sampling techniques and sample size	-	-	-	-	-	-	37
3.5	Sources of data	-	-	-	-	-	-	37
3.5.1	Data collection instruments	-	-	-	-	-	-	38
3.5.2	Validity and reliability of research instrument	-	-	-	-	-	-	39
3.6	Method of data analysis	-	-	-	-	-	-	39

3.7 Historical Background of Nigerian National Petroleum Corporation (NNPC)

- - - - - 40

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction - - - - - 43

4.2 Presentation and analysis of data - - - - - 44

4.3 Findings - - - - - 51

4.4 Proof of hypothesis - - - - - 52

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 Summary - - -- - - 55

5.2 Conclusion - - - - - 56

5.3 Recommendation - - - - - 57

5.4 Limitation of the study - - - - - 59

Bibliography

Appendix.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The word "pension" is defined as a fixed amount other than wages paid at regular intervals to a person or his surviving dependants in consideration of his past services, age, merit, poverty or an injury or loss sustained. A retirement pension is further defined as allowance, annuity, or subsidy.

Pension plans date back to the early 1900s, with the U.S steel plan dating from 1911, as a fore runner, Ahmad (2006). As a result of depression, the public has a need for security and as an added measure to social security, pension plans began to take greater importance in peoples mind. It was not until the early 1940s that trust companies entered the sure plans as opposed to the annuity plans provided by the insurance companies.

Pension plans did not become a notable part of industrial relations until the 1940s, Orszag (2000). Negotiations for fringe benefits, including pension plans, became increasingly popular as a result of war time restrictions on wage increases and this development was encouraged by the national war labour board as a means of differing compensation in order to maintain a better balance between wages and prices in war time economy.

With the advent of the Pension Reform Act 2004 there was need for a proper pension reform in Nigeria. On like the defined benefits scheme which was

a model copied from Chile, the reform act seems to solve most of traditional way of pension. Ever since the introduction of the contributory pension scheme (pay as you go) every individual employees can track his or her pension contribution and how the pension fund administrators are investing those fund are made public to each employee at the end of every quarter.

The privilege of receiving gratuity and pension appears the greatest manifestation of the victory of labour in their fight with the employer over employee exploitation. For stability of the employment contract, labour had to look forward to the enjoyment of a favourable welfare package when he leaves employment due to old age or disability. With the institutionalization of pensionable employment, the attractiveness of any employment contract is being judged in terms of whether it is pensionable or not. Pensionable jobs pay less current salaries/wages while non-pensionable jobs pay more. Individuals do not usually have a choice whether to take a pensionable job or not but they struggle to pick available jobs. This is the case in Nigeria presently. If the salary premium of non-pensionable jobs over pensionable ones is high enough, individual workers can save, invest and make provision for old age and accidental disability. With successful investments of their savings, workers on non-pensionable employments would, on retirement, be as well off as those on pensionable jobs. Economic theory would thus predict as high a premium of non-pensionable over pensionable jobs in a market economy to permit individuals to undertake the

level of savings and investments that would make both kinds of job equally attractive in the long run. The rational individual entering the labour market and in a position to choose between pensionable and non-pensionable jobs has a set of parameters that he needs to make some assumptions about their future values. These include changes in their remuneration for the jobs, the rate of inflation, the level of interest rates, the size, survival probability and future solvency of the employer, and the probability of major external destabilizing forces. For the risk-averse individual in an inherently unstable economy, a consideration of these factors would favour a career in a pensionable organization.

For a variety of reasons, governments all over the world get involved in pension matters in the form of laying down the legal framework, pension funds management and regulation of pension schemes. The Federal Government of Nigeria (FGN) recently overhauled the legal framework for pension administration in Nigeria by promulgating the Pension Reform Act 2004 (PRA'04). The PRA'04 was passed into Law on June 23, 2004 by the National Assembly and assented to by President Obasanjo on June 25, 2004. The PRA'04 embodies the policies of the FGN to solve the pension problem in Nigeria, both in the short and the long run.

This study seeks to determine how Premium Pension Limited has created opportunities to employees to know the impact of the scheme from inception to date and help to add knowledge.

1.2 STATEMENT OF THE PROBLEM

The management of pension scheme in Nigeria is inundated by multiple and diverse problems. One key problem is the lack of adequate funding. Government Parastatals and institutions have not succeeded in setting aside the recommended 25% for pension scheme from the total emoluments of their employees for lack of funds. The subventions and grants received from government are sometime inadequate to meet recurrent expenditure and overhead costs; talk less of having some reserve for pension liabilities.

Another dimension of the problem is the recent phenomenon whereby pension funds are released directly to underwriters. In most cases, the Boards of Trustees are not aware of the transactions that result in the amount so released. This scenario has further complicated the problem, resulting in accumulated arrears of the pensioners. There is also the problem of documentation and filling in person offices, which resulted in the long delay of payment of the pension to the beneficiary.

Incompetent and inexperienced pension staff with no relevant training is another quandary facing the management of pension scheme in Nigeria. This further compounded by their poor human relations, lack of etiquette and simple courtesy befitting public offices.

Prior to the reforms in pension management, the old system have numerous problems like poor administration, absence of opportunity for

accumulation of investible funds for national economic development, corruption etc.

It is in realization of this that the researcher deemed it necessary to go into this area of study with a views to look critically into the problem associated with pension scheme, critically analyze them and suggest with possible solutions and recommendations.

1.3 RESEARCH QUESTIONS

The following questions were raised. Answer to these questions will surely help summarize our findings, the questions are:

- (i) What are the proper ways of managing the pension scheme in Nigeria?
- (ii) What problems do the programme of Pension scheme faced in Nigeria?
- (iii) How would the employee access their pension effectively after retirement?
- (iv) What policy is put in place by the Government to address the problems of Government in addressing the problems of pension scheme in Nigeria?
- (v) What impacts will pension scheme administration have on employees in Nigeria?

1.4 OBJECTIVES OF THE STUDY

The main objective of this study therefore is to assess the impact of pension administration on employees in Nigeria, using Premium Pension Limited.

In the light of pervasive ignorance and problems surrounding pension scheme administration in Nigeria, this seeks to achieve, the following specific objectives.

- i. To evaluate the strengths and weaknesses of pension fund management.
- ii. To assess the economic and social effects of pension scheme on employees in Nigeria.
- iii. To analyze problems facing pension scheme administration in Nigeria,
- iv. To recommend measures for effective pension administration in Nigeria.

1.5 RESEARCH HYPOTHESIS

The hypothesis of this study is stated below:

Ho: Effective Management of Pension scheme has no significant impact on employees in Nigeria.

H1: Effective Management of Pension scheme has significant impact on employees in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The research work is also intended to widen the horizon of the impact of management of pension administration on employee in Nigeria and develop a sound practical experience in the field of pension.

The findings of this study will be of great importance to Nigerian employees, especially those that are ignorant in the administration of pension

Scheme. In addition, this study will also address the challenges and opportunities in the Administration of pension scheme.

The research work will be of importance to the Government and those that are in the helm of affairs of pension scheme to know the type of policy to be formulated and how to put effective plan on the implementation of the policies.

The research is also important for researchers who wish to know and gather information and knowledge about the pension scheme administration.

1.7 SCOPE OF THE STUDY

The purpose of going into this study is not to treat pension on a very broad or wide scope. The study intends to cover the period 2002-2007. The researcher will therefore, find, judge and evaluate the strength and weakness of pension scheme administration in Nigeria. That is, the activities and way by which the scheme is being carried out and also look into what benefit are derived by the employees.

1.8 LIMITATIONS OF THE STUDY

The research no doubt encountered some limitations such as:-

- (1) Bureaucratic Bottleneck in getting across to some important official documents relevant to the research from the organization.
- (2) Data and information:- There is the problem of respondents not willing to disclose certain information that is referred to as company secrets.

There was also the problem of not meeting respondent in their offices

and even when they were around, they would not attend on time to me due to pressure of work. Hence, there was also the problem of logistics.

- (3) Time factor:- In Writing this project work, limited time was given for its completion and presentation to the department.

1.9 DEFINITION OF TERMS

Pension: is defined as a fixed amount other than wages paid at regular intervals to a person or his surviving dependents in consideration of his past service Ahmad (2006).

Scheme: A plan of work or action or a system arrangement.

Employee: A person employed by another in return for wages.

Pension Fund Administrators (PFA): Pension Fund Administrators are limited liability companies duly licensed by Pencom as special purpose vehicles to carry out pension business only. The PFAs open retirement savings account for employees, manage the person fund as the commission may from time to time prescribe, maintain books of accounts on all transactions relating to the pension fund under their management. Barr (1995),

Pension Fund Custodians (PFC): Pension Fund Custodians are appointed by PFAs. They are responsible for warehousing of the pension fund assets. The employer sends the contributions directly to the custodian, who notifies the PFA of the receipt of the contribution and the PFA subsequently credits the

Retirement Savings Account (RSA) of the employee. The custodian would execute transactions and undertake activities relating to the administration of pension fund investments upon instructions by the PFA. Pension Reform Act, 2004.

The National Pension Commission (Pencom): The Pension Reform Act 2004, has established Pencom, to regulate, supervise and ensure the effective administration of Pension matters in Nigeria. The commission will achieve the above by ensuring that payment and remittance, of contributions are made and beneficiaries of retirement savings accounts are paid as at when due The Pension Reform Act, 2004.

National Provident Fund (NPF): was the first formal social protection Scheme in Nigeria established in 1961 for the non-pensionable private sector employees. The Pension Reform Act, 2004.

The Nigeria Social Insurance Trust Fund (NSITF): was established by Decree. No. 73 of 1993 to provide enhances social protection to private sector employees. The NSITF took over the assets of the NPF and commenced operations in July 1994. The Pension Reform Act, 2004

REFERENCES

Ahmed, M.K. (2006): The Contributory Pension Scheme: Institutional and Legal Framework. The Billion, CBN, April/June pp45-46

Pension Reform Act (2004) (PRA)

Barr, N. (1995) Comment on Government Provision and regulation of Economic support old Age. (World Bank Conference on Development Economic.pp117

Orsage(2000), The Benefits of Flexible Funding: Implications for Pension Reform in an Uncertain World, ABCDE, pp.373-391

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Pension is the model realization by the employer to make available to its employee some cash when the employee becomes retired either due to old age or physical disability or change of service. The fund being set aside by the employer is a kind of insurable even if privately invested.

In view of this, this chapter aims at reviewing some scholars conception about the meaning of pension scheme and how it can work effectively in Nigeria. The following would be discussed under this chapter: The concept of pension administration, the need for pension; methods of providing pension; pension fund management strategies, government policy on pension administration; benefits of pension scheme to Nigeria and impact of pension administration on employees in Nigeria.

2.2 THE CONCEPT OF PENSION ADMINISTRATION

The issues of pension had receives significant in many countries over the recent past decades. There are changes in the way pension assets are managed and benefits distributed to beneficiaries due to the difficulty attributed with the pension schemes existing in the countries. Many countries have opted for different form of contributory pension scheme, in which employees and their employers are expected to pay a certain percentage of the employee's monthly

earnings to Retirement Saving Account (RSA), from which they would be drawing their pension benefits after retirement (Ahmed, 2006).

Jane (2003) described pension as a method where by an individual pays into pension scheme a proportion of his earnings (7.5% of Basic Salary, Housing and Transportation allowances) and the employer pays a commensurate amount during his working life. The contributions provided an income (pension) on retirement that is treated as earned income and is taxed at they investors marginal rate of income tax.

Miles (2001) analyzed pension fund to represent savings for payment of employees retirement benefit pension funds differ in the vesting period. An employee who leaves employment before the required vesting period losses all retirement benefits. Some plans are immediately vested some requires a period of five or ten year before vesting occurs.

Miles said that pension scheme can be divided into two basic plans. These are defined contribution plans and defined benefits plans. In a defined benefit plan, the retirement benefit is stipulated usually as a percentage of final average salary, but the contribution will vary according to percentage of the average compensation a participant receives during his or her earnings years under the plan. In a defined contribution plan, a contribution rate is fixed, but the retirement benefits are variable and will depend on the performance of the

investment selected. This plan is the one operating in the new pension scheme reform in Nigeria.

Anthony and David (2002) ascertained that the two types of the plans create very different investment solution for the plan sponsor. The defined benefit plan creates a liability patterns that must be anticipated and funded. Sponsor of this type of plan tend to long term investments so that the define liability can be met with a high degree of certainty. The defined contribution plan on the other hand, creates a liability only as large as investments happen to be worth at any point in time. With this kind of plan, it is not necessary to direct investment towards any particular investment. In fact, the investment decision is often left to the worker who benefits from decision and suffers from the consequences.

NIGERIA PENSION SYSTEM

In Nigeria, as reviewed by Ahmad (2006), the first public sector pension scheme was the pension ordinance of 1951, with retroactive effect from January 1, 1946. The law provided public servant with both pension and gratuity. Pension Decree 102 and 103 of 1979 were enacted, with retroactive effect from April 1974. These decrees remained the operative laws on public services and military pension in Nigeria till June 2004.

The first private sector pension scheme in Nigeria was set up for the employee of the Nigerian Breweries in 1954, this was followed by United African Company (UAC) in 1957.

National Provident Fund (NPF) was the first formal social protection scheme in Nigeria established in 1961 for the non-pensionable private sector employees. The Nigeria social insurance Trust Fund (NSITF) was established by Decree. No. 73 of 1993 to provide enhances social protection to private sector employees. The NSITF took over the assets of the NPF and commercial operations in July 1994.

Before the enactment of the Reform Act 2004, the three regulations in pension industry are: Securities and Exchange Commission (SEC), National Insurance Commission (NAICOM) and the Joint Tax Board (JTB). The Pension Reform Act 2004 is the most recent legislation of the Federal Government at reforming the pension system in the country. It established a uniform pension system for both the public and private sectors. Similarly, for the first time in the history of the country, a single authority has been established to regulate all pension matters in the country.

The new pension scheme is going to be contributing in nature. It requires that each employee covered by the scheme must open a Retirement Saving Account (RSA) in which his/her monthly pension contributions would be credited. Each employee will contribute 7.5% of his or her monthly emoluments (here

defined as Basic salary, Housing and Transport Allowance) and the employer will contribute an equivalent amount.

Thus, a minimum of 15% of the monthly emoluments would be credited into the RSA of the employee. The scheme shall be fully funded, meaning that there will always be enough fund to match all pension liability, it will be managed by licensed Pension Fund Administration (PFAs) while the custody of the pension funds assets will be provided by licensed Pension Fund Custodians.(PFCs). The National Pension Commission shall provide strict and adequate supervision for the industry.

2.3 THE NEED FOR PENSION

Historically, pension schemes owe their origin largely to philanthropic concern on the part of the employer for the welfare of workers who had given long and faithful services to their organizations. This broadly speaking summed up the 19th century view of pensions, as a benevolent act of charity on the part of the employer.

The idea underlying the modern view of pension is that an employee's service should be what can shortly be described in which he works for substantially the whole of his working life should be awarded over a long period than his actual service.

Also, the aggregate reward for his service should so far as he is concerned, be apportioned and spread, so that some of it will be payable during

his working life, while the remainder will be paid either during the period of retirement alone or until the death.

A summary of why pension is needed is given by Luka (2006) as follows:

- a. Genuine concern for the welfare of retired employees of a company or organization.
- b. To show a sense of moral obligation towards the dependents of a man who dies while in the service.
- c. To keep open the channels of promotion in a company or organization by making advance provision for the orderly and dignified retirement of older individuals.
- d. To cut down wasteful turn over of labour, the enhance condition, of employment with the company so that recruits of higher caliber may be attracted.
- e. To protect social disorder in the economy by providing for the retiree, so that they can be useful to the economy and society after their retirement.

2.4 METHODS OF PROVIDING PENSION

The following are the methods of providing pension. Diamond (1999).

1. Payment out of till
2. Purchase of annuity form insurance company
3. Contribution by the employee and employer
4. Appointing trustees.

2.4.1 PAYMENT OUT OF TILL

If no advance provision has been made for payment of a pension, an employer can simply take money for each installment, directly out of the till. This has been done in the past.

This method of providing pension has been criticized because regular payments cannot be maintained if business conditions become less favourable in the future or if the relative number of retire employees increases.

The retirees cannot more look forward to their retirement with any sense of certainly.

2.4.2 PURCHASING OF ANNUITY FROM INSURANCE COMPANY

One way to overcome the problem state in (2.4.1) above is to purchase immediate annuity from the insurance company, purchase of immediate annuity from reputable insurance company will provide the retiree with securities after retirement.

This method involves the payment of a lump sum in return for which the insurance company undertakes to pay the pension to the pensioners to the reminder of their life time.

The problem with this method is that of finding a sizeable capital sum which may not be practicable at time when the worker retires. From the point of view of the employees this method is opened to criticism on the ground that it

has no advance guarantee to any given amount of pension or indeed a pension at all.

2.4.3 CONTRIBUTION METHOD

In this method, an employer pays certain percentage on the part-role. This is normally referred to as the employee's contribution.

The contribution of the employee, help to supplement the employer's contribution. This help to make the benefits scale larger or bigger than that each would have received if left for the employer alone.

This method is also criticized for the fact that employees contribute from earning after individual income taxes. In addition employees may have little financial ability to contribute after deduction for state tax. Social security tax, union dues etc.

2.4.4 APPOINTING TRUSTEES

This method is been employed by most large and medium size pension schemes. It is been carried out by appointing trustee to hold the funds and to be responsible for the payment of provided benefits.

These trustees will be given the power to invest money not immediately required to pay benefits where only a few employees are eligible for a scheme, it may not be considered necessary to appoint separate trustees.

In such a situation the employer can effects suitable insurance policies on the life of his employees with benefits corresponding to the promise in the scheme. The employer acts as the trustees to the scheme.

Example of this method in Nigeria is premium person scheme and other private pension scheme that spray up in the last three years.

2.5 PENSION FUND MANAGEMENT STRATEGIES

Managing pension funds is bound to be daunting considering that it involves brain-reckoning decisions on management and investment. Such decisions may make or mar the contributors and their dependants, as failure of the fund managers may mean failure of the scheme, which translates to loss of livelihood in retirement for the beneficiaries Mbanugo (2006).

The question of investment and the requirement of technical-know-how, prudence, dedication, planning, efficient execution of the investment requirements and overall compliance with the provisions of the Act is so crucial in the performance of the fund managers that such provisions as section 66 and section 68 have been included in the Pension Reform Act (2004).

INVESTMENT STRATEGY

To invest in this regard entails laying out of profit which may include buying property, shares, Government Bonds etc. it is essentially an act of placing money to secure income or profit. There is no doubt at all that the scheme is

fully funded which by implication gives the assurance that the contributor will have sufficient funds available to him for his old age.

However, the bulk of pension investments will go with the shares and other securities of companies quoted on the Nigerian Stock Exchanges. This is unlike in developed market in which the bulk of pension funds goes into the capital market and invested in quoted securities. The Nigerian Capital Market may be very well set up but the fact is that it still does not have the depth and width easily contain the quantum of securities that funds that will flow into the capital market. There is therefore the need for more securities to be introduced quickly to absorb these pension assets. Presently a large portion of the funds is being sub-optimally invested in Treasury Bills.

SAFEGUARD MEASURES STRATEGY

Pension funds are indeed huge and this is even more so under the present pension regime. For instance, in the past few months since the operation of the Scheme, the Federal Government has generated pension assets in billions of naira already. This figure is bound to quadruple when one adds the contributions of the private sector. Sylvester (2003), so, therefore, this necessitated the need for caution and the establishment of precautionary measures to forestall the ever-present possibility of embezzlement of the funds. In this regard, we must learn experiences of even more developed countries in safeguarding pension assets.

It is in the light of the foregoing that the draftsmen of the Pension Reform Act have included measure strategy directed towards safeguarding the hard earned savings of contributors and beneficiaries. The strategies are; the establishment of uniform set of rules, regulations and standards for the administration and payment of retirement benefit of workers in both the public and private sector.

2.6 GOVERNMENT POLICY ON PENSION ADMINISTRATION

The pension scheme that PRA '04 seek replace is a DBPS. A worker enters the public service and works for ten years to qualify for a lump-sum payment, usually 100% of his annual emolument, called gratuity with no pension. If the employee worked for 15 years and above, he is then qualified for both pension and gratuity, which are expressed as percentages of total emolument, graduated according to the years of service. A worker retires after 35 years of service or an attaining the age of 60, which ever is sooner. A major amendment to the pension Law on 1992 reduced the qualifying years of services for gratuity and pension to five and ten years respectively, which was equivalent to increasing, pension benefits so as to induce more voluntary exit from the public service. This expectation did not materialize. There are some expectations to the 60 years retirement age, notably for judicial officers and university lecturers. A person may, however, retire voluntarily from service but will not only begin to draw on

his pensions from age 45. Gratuity payment is a maximum of 300% and pension 80% of total emoluments, again with notable exception. Barr (1995).

After a very long period of mooted review of the pension system in Nigeria, the Obasanjo administration finally introduced a contributory pensions system in Nigeria through PRA'04. The Act became effective in the public sector in July 2004, a summary of PRA'04 contained in schedule 3 of that Act says PRA'04" seek to establish contributory pension scheme for employees in the public service of the Federal, Federal Capital Territory and Private sectors in the Federal Republic of Nigeria". The objectives of the PRA'04, as stated in section 2 of the Act, are to:

- i. Ensure that every person who worked either in the public service of the Federation, Federal Capital Territory or the Private sector receive his entitlement as and when due,
- ii. Assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age; and
- iii. Establish a uniform set of rules, regulation and standards for administration and payment of retirement benefits for the public service of the Federation, Federal Capital Territory and the private sector. The Pension Reform Act (2004).

The essential provision of the new pension Scheme designed to achieve the advice objectives are as follows:

- (1) Mandatory coverage of all employees in organizations employing five or more persons in both the private and public sectors of the economy
- (2) Employers and employees each contribute to the pension fund a minimum of seven and half percent of total emolument of the employee.
- (3) An employer shall maintain a life insurance policy for each employee for a minimum of three times the annual total emolument of the employee and, in the event of the death of an employee, his entitlements under the life insurance policy shall be paid into his Retirement Savings Account. (RSA).
- (4) The employer and employee contributions shall be tax-deductible expenses in the calculation of income tax liabilities.
- (5) Every employee shall maintain and RSA in his named with any pension fund administrator (PFA) of his choice into which will be paid his pension fund contributions and accrued incomes from investments thereof.
- (6) PFAs, licensed by the Pencom are the only institutions to manage pension funds as from the commencement of the Act.
- (7) Pension Funds and assets are to be held only by pension fund custodians (PFCs) licensed by the Pencom.

- (8) The PFA chooses a PFC to which the employer's and the employee's contributions are remitted by the employer to the exclusive order of the PFA.
- (9) All incomes earned from investments of pension funds are to be placed to credit of individual RSA holders after deducting clearly defined and reasonable fees, charges, costs and expenses of transactions made by the PFA.
- (10) No withdrawals shall be made from the balance standing to the credit of the RSA of an employee except on his retirement or on attaining the age of 50 years (Whichever is later) and such withdrawal can be for programme monthly or quarterly withdrawal calculated on the basis of an expected life span or for the insurance company licensed by the National Insurance Commission (NAICOM) with monthly or quarterly payment etc.

The institutions thus created by PRA'04 for the orderly administration of the new pension scheme are the Pencom, the pension department (both of which are policy and administrative units in the public sector) PFAs, PFCs, and closed PFA (Financial institutions in the private sector). The principal objective of Pencom is to regulate, supervise and ensure the effective administration of pension matters in Nigeria. More specifically, Pencom is to undertake the following functions, among others:

- i. Regulate and supervise the new pension scheme
- ii. Issue guidance for the investment of pension funds.
- iii. Approve, license, regulate and supervise pension fund administrators, custodians and other institutions relating to pension matters.
- iv. Establish standards, rules and guide lines for the management of pension funds, and
- v. Ensure the maintenance of a National Data Bank on all pension matters.

2.7 **BENEFITS OF PENSION SCHEME TO NIGERIA EMPLOYEES**

For many years, Qualified Retirement plans have been one of the most advantages investments for both employers and employees. Employer contribution is fully deductible as a business expenses, and employee contributions will reduce the employee's federal income tax liability. Participating employees are not taxed on contributions towards their benefit until withdrawal. Furthermore, all investment earnings are exempt from income tax during accumulation. Generally, no funds can be distributed except in the case of death, disability, retirement or termination of employment. In the case of termination of employment, the vested balance is distributable; however, there is usually a 10% IRS penalty in addition to normal income taxes for those under age 59½. When distribution is made, income taxes must be paid on the amount distributed

unless a divert transfer is made into another qualified plan or IRA, Oketoni (2001).

Other benefits of the pension scheme to Nigeria employee as point out by Ogunlade (2002) are:

- (1) It can save for retirement with pre-tax dollars
- (2) It allow employee to pay less income tax by reducing taxable income
- (3) It allows the employee to receive favourable tax treatment at retirement
- (4) It makes the employee to decided as to whether to defer or spend current income
- (5) It aid employee to carry out their duties more effectively with an increase in loyalty and morale.

2.8 PROBLEMS OF PENSION ADMINISTRATION IN NIGERIA

All pension schemes run in the public service up to June 30th, 2004 were not contributory in the sense that employees do not contribute from them salaries towards the pension and/or gratuity.

By 2002, pension liabilities nation wide were estimated at N2trillion. Thus problem was further compounded by frequent increases in salaries and pension without a full assessment of the short-and the long term financial

implication of this increase. Other problems identified in the Administration of pension in Nigeria are:

- i. Differentiation between public and private sector. The Nigerian pension law has not totally considered the distinction between public and private sectors.
- ii. Poor Administration: There was a generally poor system of delivery payments and lack of a proper database of pensioners. Pensioners were sometimes, due to identification problems, not paid for months and were told at their own cost to participate in identification parade, either in Abuja or in Lagos, which could be thousand of kilometer away from their abode. Some pensioners have actually lost their lives in this process.
- iii. Absence of opportunity for accumulation of investible funds for national economic development.
- iv. Corruption: This is a great epidemic that is affecting the administration of pension in Nigeria because most of the people at the helm of affairs are corrupt and also they mis-manage the pension fund by high rate of administration and investment changes like of which led to the collapse of some pension funds such as those of NITEL, Nigerian Railways Corporation, NPA, NEPA etc. infact, the Business Times of October 16, 2000

reported a scam of ₦100 billion of pension money misappropriated in some federal government owned enterprises.

V. Bureaucratic Problem: Decision are not taking on time because of the bottleneck problem: Decision are not taking on time because of the bottlenecks by the authority of the pension scheme this also leads to slow in administer program.

2.9 IMPACT OF PENSION ADMINISTRATION ON EMPLOYEES IN NIGERIA

There is no question that most employers have recognized the fact that they must maintain some form of employee benefit programme in order to attract and retain desirable employees. For this reason employers organized a pension scheme to attract and retain their employees. A pension represents a payment to a worker during the retirement phase of his life to ensure his sustenance and that of his beneficiaries after the active phase of working life. Gbitse (2008)

The impact of pension Administration on employees in Nigeria as given by Bitze (2008) are:

- (1) **Social Security:** Pension Scheme exists to ensure that people receive some income in their old age to take care of themselves and their dependants. Under this objective, proponents of pension schemes realize that individual are on their own predisposed to improvidence, and are

unable to make arrangement by themselves for their old age, except their employers provide same or establish the necessary structure.

- (2) **Encouraging Work, Ethical behaviour and worker productivity:** the existence of pension scheme ensures that people are encouraged to work because their lifestyle in retirement is taking care of. Also, in developed economies struggling with massive corruption and for certain categories of employees, a defined benefit system may give reasonable assurance and encourage ethical behaviour. Worker productivity may also be enhanced by defined contribution schemes that encourage worker productivity are enhance by promotions wage increases and additional income, which may be tied to productivity e.g. incentive bonuses.
- (3) **Encouraging Savings:** Individual and collective savings are key to individual and family wealth creation as well as national development. Contributory schemes ensure that a savings culture is instilled, and lead to capital accumulation that is required for societal development. The incentives provided by contributory schemes like tax incentives for both employees and employees, as well as for voluntary contributions, further encourage savings among workers.

REFERENCES

- Ahmed, M.K. (2006): The Contributory Pension Scheme: Institutional and Legal Framework. The Billion, CBN, April/June.pp104-107
- Jane Cowdell (2003): Investment CIB Publishing Lagos.pp11-18
- Miles, L. (2001): Explanation and proper understand of Pension Scheme: Blackwell Publisher Ltd Akure.pp56
- Anthony and David (2002): Financial Market, investment institution. The McGraw Hill/Irwing.pp89-90
- Luka, D.D. (2006): Investment and Risk Management under the new Pension Scheme. Rephika passport Ltd. London.213-215
- Diamond, Y.J. (1999) Building private person system: A handbook San Francisco, Institute for contemporary studies.33-38
- Mbanugo, U.(2006) Pension law and practice in Nigeria. Mareshah Publishing Lagos.pp97
- Pension Reform Act (2004) Hand Book.
- Sylvester, O.A. (2003) Regulation of Pension funds by the securities and Exchange Commission, Blumsby Publishing Lagos.
- Barr, N. (1995) Comment on Government Provision and regulation of Economic support old Age. (World Bank Conference on Development Economics (ABCD)).PP21-23
- Okutoni, O. (2001) General Study on Pensioners Bloomington, Jai Publishers Ibadan.PP16-18
- Ogunlade, E.A. (2002) Plight of Nigeria pensioners Malhouse printer Lagos.PP51-59
- Gbitse, B. (2008) Pension fund administration in Nigeria Pen and pages ltd Abuja.PP85

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the research methodology. This is the overall framework for carrying out a research work and it covers the following: Historical background of Premium Pension Ltd, Research design, Population of the study, Sample Size, and Sampling Techniques, Sources of data, instrument of data collection, methods of data analysis.

3.2 HISTORICAL BACKGROUND OF PREMIUM PENSION LTD

Premium Pension Limited is a leading pension fund administration licensed by the National Pension Commission.

VISION: is to be the leading Pension Fund Administrator in Nigeria and a global player. We are one of the leading PFAs in terms of customer and Asset base, Return and Security of Asset.

MISSION: is to achieve superior customer satisfaction in active and retirement life through best practices.

CORE VALUE: we uphold care, integrity, transparency, ethics and professionalism. These values form the fabric of the company and bind together the experience management team which has a strong background in the financial services sector.

The company currently boasts of one of the most experienced management team in the pension industry.

Our major thrust in managing your pension is security of your asset, superior return on investment and provision of caring and efficient services. Our service orientation is premised on integrity, service efficiency and care.

We are committed to this and have therefore invested in cutting edge technology to render online services, to enable our clients access information from any location they may find themselves.

We have also handpicked our staff to ensure that your funds are managed by investment experts while services are provided by knowledgeable, friendly and helpful people. Employment and retention of skilled professionals is key to us.

We have partnered with First Pension Custodian Limited a licensed Pension Fund Custodian (PFC) owned by First Bank of Nigeria plc, one of the foremost financial institutions in Nigeria. Through this partnership, we have pension service centers strategically located in all major banking halls of First Bank in Nigeria to ensure services are brought closer to our clients. In addition to these, there are branches located in Lagos, Enugu, Porthacourt, Ibadan, Kaduna, Markudi, Gusau, Kano, Bauchi, Sokoto and Minna with head office in Abuja.

From the 2006 Annual Report, Premium Pension Limited have the following range of Products:

- i. Retirement Savings Account(RSA)
- ii. Voluntry Savings Account(VSA)
- iii. Legacy Advisory Services

iv. Cross Boarder Pension Plans

v. Nigerians in Diaspora

vi. Foreigners in Nigeria.

3.3 Research Design

Research design is the plan for research project. It provides guidelines which direct the researcher towards solving the problem and it may vary depending on the nature of the problem being studied. Also, consideration regarding limitation posed by time, money and availability of data is an important factor in determining research design for a particular study. As Osuala (2000) puts it, research design is the process of arriving at dependable solutions to a problem through planned systematic collection, analysis and interpretation of data.

However, these decisions must be systematic or scientific in nature. Thus, in sum, designing a research means preparing a mental plan or scheme of attack for solving a research problem in a systematic manner within the circumstances of the research.

This study adopts the survey research which tends to describe what really is on the field. It involves the collection of first hand information and data from primary sources and secondary sources by the researcher. This may be done either by observation or inquiry through the use of questionnaire. The accuracy of information collected depends on the ability and competence of the

researcher, his honesty, integrity and capability to relate questions asked to the objectives of the research.

3.4 SOURCES OF DATA COLLECTION

For the purpose of this research primary and secondary source of data was used.

The primary data is basically through the use of personal interviewed, observation and questionnaires. While the secondary data is through the use of text books, journals etc.

There are two basic sources of data. These are:

3.4.1 Primary Data

Primary sources of data, according to Ndagi (1999) is the one which has been recorded by an actual eyewitness or participant in an event (document) or the historical object itself (remains) which is available for examination. Such as personal interview, observation and questionnaire.

3.4.2 Secondary Data

Secondary source according to Ndagi (1999) is the one which has been recorded by someone who obtained his data indirectly. Even if he talked to an actual observer or an actual participant in an event, his information would not be regarded as coming from a primary source because information passed on from

one person to another could be distorted. Secondary source is less reliable than a primary source. Such as through the use of textbook, journals etc.

3.5 INSTRUMENTS OF DATA COLLECTION

For the purpose of this study the following instruments were use to collect data:

3.5.1 Observation

Observation was used as one of the instrument to collect data. The researcher went to the organization to observe when the employees are on the job. This gave me an insight of the performances or the effectiveness on how they operate in the organization.

3.5.2 Personal Interview

The researcher used personal interview as a tool for data collection. This is a face to face interaction that depends on the questions asked by the interviewer and the response given by the interviewee.

3.5.3 Questionnaires

Questionnaires are formal list of designed questions to gather responses from the respondents about a given topic. The questionnaire will be administered on the respondents. This is done to elicit the needed information for the study.

The method is very important as it allows time for thorough and avoid any embarrassment in answering questions of personal nature and such answers would be more reliable.

For the purpose of this research, the researcher adopt, self administer questionnaires as the main tool for data collection with closed ended questions asked in it which was filled by the respondents.

3.6 POPULATION OF THE STUDY

A population is the totality of all elements, subjects, or member that posses a specified set of one or more common features. The population under study comprised of the management and staff of Premium Pension Ltd and some selected employees across the Abuja metropolis. The total number of the population under study is 150.

3.7 SAMPLING TECHNIQUES AND SAMPLE SIZE

A population may be finite yet, so vast that only a sample could be used for research purpose. In practice, most of the information obtained by researchers about any population comes from examining a small representative subject of the population. This is called a sample. Thus, sampling is the process of examining a representative number of items (people or thing) out of the whole population or universe Lucy (2000). The objective is to gain an

understanding about some of the features of the whole research population based on the common characteristics of the sample.

For the purpose of this research, random sampling is used to study the population and the sample size is 150 which is the number chose randomly out of the population under study to represent the whole population. The reason for this is to allow accuracy and allow the study to be carried out on the specified time and also feedback.

3.8 METHOD OF DATA ANALYSIS

In this section the researcher is concerned with reducing the data collected, after the data gathering, to such a size and shape that it be easily comprehended as well as to enable the extraction of new information from it. Analysis of data according to Baridam (1987), refers to those techniques where by the investigator extracts from the data information that was not apparently there before and which enable a summary description of the subjects studies to be made. The information being referred to here is information that would answer research questions and/or test research hypothesis.

The researcher used the percentage method for the presentation, interpretation and analysis of data in tabular form. Chi-square statistical methods were used for hypothesis testing.

REFERENCES

- Baridam, D.M. (1987), Research Methods in Administrative Sciences, Port Harcourt, Berk. Publisher
- Lucey(2000). Management practices. New York McGraw Hill .
- Ndagi,j.o (1999),Essentials of Research Methodology for Educators. Premium Pension Ltd. Annual Report 2006.
- Osaze, B.E (1985), Guidelines for Conducting Research, Corcus Books.
- Osuala E.C (2005) Introduction to Research Methodology, Africana- First Publisher Ltd, Onisha, Nigeria.

CHAPTER FOUR:

DATA PRESENTATION AND ANALYSIS.

4.1 INTRODUCTION

In this chapter, the result of the questionnaires on impact of pension administration on employees in Nigeria would be presented and analyzed. Responses from management, staff and clients of Premium Pension Ltd is presented and analyzed using the simple percentages method in a tabular form, while hypothesis will be tested using the chi-square method.

However the responses used in the study came from one hundred and fifty (150) questionnaires sent out both to 96 management staff and 54 clients of Premium Pension Ltd out of the 150 questionnaires administered, 133 were completed and returned. Thus, 88.6% level of success was achieved in questionnaire administration.

4.2 PRESENTATION OF DATA

Table 4.2.1 Length of service

RESPONSES	NO OF RESPONDENT	PERCENTAGE
1Year	12	14%
2years	48	33%
3years	25	53%
Total	85	100%

Sources: Questionnaire Administered (2009)

Table 4.2.2 Rating of Premium Pension Ltd activities

RESPONSE	NO OF RESPONDENT	PERCENTAGE
Excellent	25	29.4%
Good	22	25.9%
Fair	20	23.5%
Poor	18	21.2%
Total	85	100%

Source: Questionnaire Administered(2009)

Table 4.2.3 Methods of pension

RESPONSE	NO OF RESPONDENTS	PERCENTAGE
Contribution Method	35	41.2%
Appointment of trustee	22	25.9%
Payment of till	15	17.6%
Purchasing of Annuity	13	15.3%
Total	85	100%

Source: Questionnaire Administered (2009)

Table 4.2.4 Government policy on pension

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Positive	50	58.8%
Negative	20	23.5%
Undecided	15	17.7%
Total	85	100%

Source: Questionnaire Administered (2009)

Table 4.2.5 Management of Pension Fund

RESPONDENTS	NO OF RESPONDENTS	PERCENTAGE
Very Satisfactory	35	41.2%
Satisfactory	20	23.5%

Very unsatisfactory	17	20.0%
Unsatisfactory	13	15.3%
Total	85	100%

Source: Questionnaire Administered (2009)

Table 4.2.6 Significant of pension scheme

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
No	85	100%
Yes	–	–
Total	85	100%

Source: Questionnaire Administered (2009)

Table 4.2.7 Client Satisfaction

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Yes	75	88.2%
No	10	11.8%
Total	85	100%

Source: Questionnaire Administered (2009)

Table 4.2.8 Length of client subscribing

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
1Year	8	16.7%
2Years	10	20.8%

5Years	30	62.5%
Total	48	100%

Source: Questionnaire Administered (2009)

Table 4.2.9 Client Rating

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Excellence	20	41.7%
Good	15	31.2%
Fair	10	20.8%
Poor	3	6.3%
Total	48	100%

Source: Questionnaire Administered (2009)

Table 4.2.10 Comparism between present and traditional methods of pension.

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Strongly Agreed	20	41.7%
Agreed	11	22.9%
Strongly Disagreed	10	20.8%
Disagreed	7	14.6%
Total	48	100%

Source: Questionnaire Administered (2009)

Table 4.2.11 Rate of Satisfaction of the Company Service

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Very Satisfied	25	52.1%
Satisfied	10	20.8%
Very Dissatisfied	5	10.4%
Dissatisfied	8	16.7%
No Option	-	-
Total	48	100%

Source: Questionnaire Administered (2009)

Table 4.2.12 Response on Complains

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Very Satisfied	17	35.4%
Satisfied	10	20.8%
Very Dissatisfied	9	18.8%
Dissatisfied	7	14.6%
No Option	5	10.4%
Total	48	100%

Source: Questionnaire Administered (2009)

Table 4.2.13 Significant of pension scheme on employee

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Yes	48	100%
No	–	–
Total	48	100%

Source: Questionnaire Administered (2009)

Table 4.2.14 Pension Reform Act of Federal Government

RESPONSES	NO OF RESPONDENTS	PERCENTAGE
Very Satisfied	20	41.7%
Satisfied	11	22.9%
Very Dissatisfied	10	20.8%
Dissatisfied	5	10.4%
No Option	2	4.2%
Total	48	1005

Source: Questionnaire Administered (2009)

4.1 DATA ANALYSIS

From the table 4.2.1 86% of the respondents are in a better position to give credible information about the company as they have been in the system for 2years and above.

From the table 4.2.2 the staff rate Premium Pension Ltd activities of the organization as excellent, 25.9% said rate the activities as poor. From the analysis it shows that 52.9% rate the activities of the pension as good.

From the table 4.2.3 35 respondents representing 41.2% of the sample size said they adopt Contribution Method, 22 respondents representing 25.9% said they adopt appointment of trustee method, 15 respondents representing 17.6% said they adopt Payment out of till, while 13 respondents representing 15.3% said they adopt Purchasing out of Annuity. From this analysis it shows that large proportion of the respondents adopts contribution method.

Table 4.2.4 show that 50 respondents representing 58.8% of the respondent agreed that the government policies on pension scheme affect their activities positively, 20 respondents representing 23.5% said it affects their activities negatively, while 15 respondents representing 17.7% are undecided.

Table 4.2.5 which analyzed the rating of management of pension fund,35 respondents representing 41.2% of the sample size said the management of pension fund was very satisfactory,20 respondents representing 23.5% said is satisfactory,17 respondents representing 20.0% said is very unsatisfactory, while 13 respondents representing 15.3% said the rating is unsatisfactory.

From table 4.2.6 85 respondents representing 100% of the respondent agreed that effective pension scheme has significant impact on employees in

Nigeria. That is to say all the respondent support the fact that effective pension scheme is very important for all Nigeria workers.

Table 4.2.7 shows that 75 respondents representing 88.2% agreed that the clients were satisfied with the method of pension administration, while 10 respondents representing 11.8% said no.

From table 4.2.8 30 respondents representing 62.5% have been a client to the organization for 5years, 10 respondents representing 20.8%, have been a client to the organization for 2years, while 8 respondents representing 16.7% are also a client since a year back. From the analysis it shows that 73% of the respondents have been a client to the organization for over 2years, this people are in better position to give detail of the company information.

From table 4.2.9 20 respondents representing 41.7% rate pension method adopted by the organization as excellent, 15 respondents representing 31.2% rate the method as good,10 respondents representing 20.8% rate the method to be fair, while 3 respondents representing 6.3% rate the method as poor.

From table 4.2.10 ,20 respondents representing 41.7% strongly agreed that the present method of pension is better than the traditional method,11 respondents representing 22.9% agreed that the present method of pension scheme is better compare with traditional method,10 respondents representing 20.8% strongly disagreed, in from their own opinion they believe that traditional method is better than present method of pension scheme, while 7 respondents representing 14.6% respondents disagreed on the opinion that the present method of pension scheme

is better than the traditional methods. From this analysis it shows that 74.6% agreed that the present method of pension scheme is better compared with traditional method.

From table 4.2.11, 25 respondents representing 52.1% rate the company services as very satisfied, 10 respondents representing 20.8% rate the service as satisfied, 5 respondents representing 10.4% rate the service as very dissatisfied, while 8 respondents representing 16.7% said the company pension services are dissatisfied. That means 72.9% rate the company pension service as satisfied and this people represent the large proportion of the respondents.

Table 4.2.12 shows that 17 respondents representing 35.4% of the respondents said they were very satisfied with the way the company respond to complains, 10 respondents representing 20.8% of the respondents said they were satisfied with the way the staff of the company respond to complain from their clients, 9 respondents representing 18.8% said they were very dissatisfied with the way the company responds to client complains, 7 respondents representing 14.6% of the respondents said the company manner of responding to client's complain is dissatisfied, while 5 respondents representing 10.4% of the respondents said no option.

From Table 4.2.13, 48 respondents representing 100% respondents agreed that effective pension scheme has significant impact on employee. That means the entire respondent agreed that a well organized and coordinated pension scheme has a great significant impact on employee.

Table 4.2.14 shows that 20 respondents, representing 41.7% of the respondents were very satisfied with the Federal Government Act on pension, 11 respondents representing 22.9% said they were satisfied with the Act, 10 respondents representing 20.8% of the respondents said they were very dissatisfied with the Federal Government Act, 5 respondents representing 10.4% of

the respondents said they were very dissatisfied with the Act, while 2 respondents representing 4.2% said no option.

4.4 TEST OF HYPOTHESIS

Chi-square method was used to test the hypothesis formulated. Tables 4.2.1 to 4.2.14 were used to test the impact of pension scheme on the employees in Nigeria.

Table 4.4.1 Observed frequency table.

Option	Staff responses	Customer responses	Total
Yes	20	40	60
No	10	15	25
Total	30	55	85

Source: Questionnaire Administered (2009).

To calculate expected frequency, this formula is used

$$C1 = \frac{R_1 \times C_1}{C_1}$$

Table 4.4.2 Expected Frequency Table

Option	Staff responses	Customer responses	Total
Yes	11.67	31.67	43.34
No	18.33	23.33	41.66
Total	30	55	85

Source: Questionnaire Administered (2009).

Table 4.4.3 To calculate Table value this formula is used

$$X = \frac{\sum (fo - fe)^2}{fe}$$

Fo	Fe	Fo-fe	(fo-fe) ²	$\frac{(fo-fe)}{Fe}$
20	11.67	8.33	69.39	5.9
10	18.33	-8.33	69.39	3.8
40	31.67	8.33	69.39	2.2
15	23.33	-8.33	69.39	2.9
				14.8

$$X = 5.9 + 3.8 + 2.2 + 2.9 = 14.8$$

The calculated value = 14.8

Area of freedom = (number of column – 1)

(number of row – 1)

$$= (2-1) (2-1)$$

$$= 1 (1) = 1$$

Level of significance = .05

$$= 3.84$$

Reject of Ho (accept + H1) if

$X^2 > 75.9$ do not

Reject Ho if

$$X^2 \leq 5.99$$

4.5 FINDINGS

Data collected from primary source were collected, processed, presented, analyzed and interpreted to give meaning to the research work and the following were made.

That the calculated value of 14.8 is greater than the table value of 3.84. This implies that the null hypothesis that says effective management of pension scheme has no significant impact on employees in Nigeria is therefore rejected.

The study found that effective pension scheme has significant impact on employees in Nigeria. The study also discovered that the contributory method of pension as being applied by Premium Pension Ltd is widely accepted by the employees.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The main focus of this study is the impact of pension administration on employees in Nigeria. The inference drawn so far indicates that when pension

scheme is well administered and the employees were adequately educated, the scheme will have more great impact on employee after retirement.

This summary captives the salient issues and points raised from chapter one through to chapter five.

Chapter one which is the general introduction gives us background information to the study. The problems investigated as well as the objectives of the study were also stated. More so, in this chapter, the research hypothesis, significant of the study, and the scope of the study were discussed. Finally, relevant concepts such as pension, scheme, employee, Pension Fund Administrators, Pension Fund Custodians, The National Pension Commission and National Provident Fund were defined in this chapter.

Chapter two focused on the review of relevant literature with emphasis on the concept of pension administration, the need for pension, method of providing pension, pension fund management strategies, Government policy on pension administration, benefit of pension scheme to Nigeria employee, problem of pension administration in Nigeria and impact of pension administration on employee in Nigeria was also discussed.

In chapter three, the research methodology and sources of data were highlighted, where the researcher used questionnaire, observation and interview, instrument of data collection together all information.

Chapter four, which is the core of the study, dealt with the presentation and analysis of data collected through the questionnaire administered to the employees, management and client of Premium Pension Ltd. The Data collected were presented in tabular form and simple percentages method was used in interpreting the data. Chi-square method of statistic was also used to test the hypothesis formulated for this study.

5.2 CONCLUSION

This study has concerned itself with establishing the impact of pension fund administration on employees in Nigeria within the periods 2002 - 2007.

Based on the findings certain factors such as methods of pension, pension strategies and government policy affected the impact of pension scheme on employees. Thus, effective pension administration depends on good methods of pension, effective government policy with adequate implementation and improved education for employees on pension activities.

Finally, the management of Premium Pension Ltd has been trying to carry out a pension administration to the satisfaction of employees in Nigeria. This is not to say that more effort should not be made to discover new methods and ways of satisfying their clients and also to ensure that client has access to his pension at an appropriate time.

5.3 RECOMMENDATIONS

Research work like this will not be complete without the researcher putting forwards some recommendations. It is in view of this that the following recommendations are made to the pension administrators, Government and employees.

5.3.1 There is need for continuous regulation and strengthening of the institutional structure of the new scheme. Licensed Pension Administrators should be monitored and closely supervised for compliance. Prompt reconciliation and statements of account should be given to members of PFAs regularly. This will ensure transparency and prompt payment which are major drawbacks of the old scheme.

5.3.2 Negotiation of terms and conditions of employment in the public sector should be institutionalized. Fixing of percentage contribution to pension scheme should be co-determined. There is also a need to transparently determine accrued interest at the time of payment of contributed sum, and accruable interest for those who are receiving their monthly pension.

5.3.3 The idea behind contributory pension scheme was in part to do away with the bureaucratic structure that deepened corruption and rendered the old system ineffective. The delays were and are still costly for those still under the old system. The flow of information from the PFAs with respect to final entitlement is still slow and bureaucratized. A certain amount of automation should be introduced into the scheme as it would make the scheme highly mobile and sustainable.

5.3.4 The new pension scheme should de-emphasizes the lump-sum payment of gratuities, removes pension administration from the public sector and places it squarely in the hands of financial institutions. Efficient pension

administration which now depends on the efficiency of the Nigerian financial institutions, calls for well-managed banks, insurance companies, pension fund administrators and custodians and an effective regulatory framework in the money and capital markets.

The new pension scheme should focus on the need for adequate national savings, good investments and sustained output growth. There is, however, some doubt as to whether the public sector in Nigeria can exhibit the level of fiscal discipline over the long-run required to generate the surplus to pay off accumulated pension obligations carried over from the old scheme which would soon involve the issuing, holding and redemption of retirement bonds.

5.3.5 As the value of pensions now depends on the returns on invested funds, the Nigerian capital market should generate adequate returns over time on invested funds to assure retirees decent living. There should be adequate investment that will yield good result such as the macroeconomic environment, fiscal incentives, level and quality of available infrastructure, existence of skilled and low-cost labour, existence of efficient mechanisms for resolving industrial disputes, enforcement and protection of property rights, and adequate inflows of foreign direct investment (FDI). The government still has a lot to do in each of these areas. Inflationary pressures are intensifying and this is a major factor determining the real value of monetary assets. Industrialists still complain of burdensome taxation and inadequate fiscal incentives. Furthermore, security of lives and property is not guaranteed. There is a large pool of unskilled labour while the quality of output of the tertiary education system is very poor. Government thus has enormous responsibilities to increase the productivity of investments in the economy. Government must encourage more companies to go public through differential taxation of private and public companies. In this regard, it is appropriate to grant some reduced corporate tax rate of about five

years for banking and insurance companies that have gone through consolidation with many of them becoming public in the process. The government should expand its investments on infrastructure, especially in power supply, education and health facilities. Government should also reform the legal system and simplify laws relating to investments, business transactions, registration of titles to property and the appointment of more judicial officers. The government should also improve the quality of training and equipment of police personnel to be more effective in protecting lives and property. Above all, the government should always strive to maintain fiscal prudence so as to assure macroeconomic stability and commitment to generating adequate surpluses to clear accrued pension obligations in the public sector. It is appropriate to ask whether the three years to retirement used as the yardstick to exempt people from the new scheme is adequate. This concern is informed by the fragility of the financial system and the expected enormous administrative costs of the new system.

5.3.6 Adequate workshops and other way of educating the prospective pensioner should be put in place.

BIBLIOGRAPHY

- Ahmed, M.K. (2006): The Contributory Pension Scheme: Institutional and Legal Framework. The Billion, CBN, April/June pp45-46
- Anthony and David (2002): Financial Market, investment institution. The McGraw Hill/Irwing.pp89-90
- Baridam, D.M. (1987), Research Methods in Administrative Sciences, Port Harcourt, Berk. Publisher
- Barr, N. (1995) Comment on Government Provision and regulation of Economic support old Age. (World Bank Conference on Development Economic.pp117
- Diamond, Y.J. (1999) Building private person system: A handbook San Francisco, Institute for contemporary studies.33-38
- Gbitse, B. (2008) Pension fund administration in Nigeria Pen and pages ltd Abuja.PP85
- Jane Cowdell (2003): Investment CIB Publishing Lagos.pp11-18
- Lucey(2000). Management practices. New York McGraw Hill
- Luka, D.D. (2006): Investment and Risk Management under the new Pension Scheme. Rephika passport Ltd. London.213-215
- Mbanugo, U. (2006) Pension law and practice in Nigeria. Mareshah Publishing Lagos.pp97
- Miles, L. (2001): Explanation and proper understand of Pension Scheme: Blackwell Publisher Ltd Akure.pp56

Ndagi, j.o (1999),Essentials of Research Methodology for Educators.

Ogunlade, E.A. (2002) Plight of Nigeria pensioners Malhouse printer Lagos. PP51-59

Okutoni, O. (2001) General Study on Pensioners Bloomington, Jai Publishers Ibadan.PP16-18

Orsage(2000), The Benefits of Flexible Funding: Implications for Pension Reform in an Uncertain World, ABCDE, pp.373-391

Osaze, B.E (1985), Guidelines for Conducting Research, Corcus Books.

Osuala E.C (2005) Introduction to Research Methodology, Africana- First Publisher Ltd, Onisha, Nigeria

Premium Pension Ltd. Annual Report 2006

APPENDICES

Appendix 1

Faculty of Administration
Department of Business Administration
Ahmadu Bello University
Zaria.

24th October, 2009.

Dear Respondent,

LETTER OF INTRODUCTION

I am a student of Ahmadu Bello University, Zaria undertaking research project for my MBA programme. The Topic is "The impact of pension Administration on Employees in Nigeria: A study of Premium Pension Limited.

Please, your maximum cooperation as regards to questions asked would be highly appreciated as you respond to the best of your knowledge.

Thank you.

Yours faithfully,

Yaro Christopher A

Appendix 2

MANAGEMENT/STAFF QUESTIONNAIRE

INSTRUCTION

- Tick as appropriate
- Please respond to all questions in the questionnaire before returning the questionnaires to the researcher.

(1) How long have you been employed in this organization?

- (a) 1 year [] (b) 2 years [] (c) 3 years []

(2) How do you rate the pension scheme activities in your organization?

(a) Excellent []

(b) Good []

(c) Fair []

(d) Poor []

(3) What type of pension method do you adopt in your organization?

(a) Contribution method []

(b) Appointment of trustee []

(c) Payment out of Till []

(d) Purchasing of Annuity from Insurance Company []

(4) How does the Government policy on pension scheme affect your activities?

(a) Positively [] (b) Negatively [] (c) Undecided []

(5) How do you rate the management of pension funds in your organization?

(a)Very Satisfactory [](b) Satisfactory [](c)Very unsatisfactory []

(d)unsatisfactory []

(6) In your own view, do you think effective pension scheme has any significant impact on employees in Nigeria?

(a) Yes [] (b) No []

(7) Do you think your clients were satisfied with the organizations pension methods?

(a) Yes [] (b) No []

CLIENT/EMPLOYEES QUESTIONNAIRE

INSTRUCTION

- Tick as appropriate
- Please respond to all questions in the questionnaire before returning the questionnaires to the researcher.

1. How long have you been a client with this organization?

(a) Over 1 year (b) 3 Years (c) 5 Years

2. As a client how would you rate the pension method adopted in this organization?

- (a) Excellent []
- (b) Good []
- (c) Fair []
- (d) Poor []

3. Do you agree that the present method of pension system is sound compare with traditional system of pension?

- (a) Strongly agreed ()
- (b) Agreed ()
- (c) Strongly disagreed ()
- (d) Disagreed ()

4. Please rate your satisfaction of the company services on the following

	Very Satisfied	Satisfied	Dissatisfied	Very dissatisfied	No option
Fund investment	[]	[]	[]	[]	[]
Prompt payment	[]	[]	[]	[]	[]
Pension method	[]	[]	[]	[]	[]

5. When you call to complain or query anything. How satisfied are you on the following:

	Very Satisfied	Satisfied	Dissatisfied	Very dissatisfied	No option
Over customer case service	[]	[]	[]	[]	[]
Ability to get attendant	[]	[]	[]	[]	[]
Ability to provide a solution	[]	[]	[]	[]	[]

6. In your own view, do you think effective pension scheme has any significant impact on employee in Nigeria?

- (a) Yes []
- (b) No []

7. Overall how satisfied are you with the pension act of Federal Government?

Very satisfied []

Satisfied []

Dissatisfied []

Very Dissatisfied []

No option []

8. Can you comment on the services of this organization?
