AN EVALUATION OF THE NIGERIAN PENSION SCHEME WITH SPECIAL REFERENCE TO MILITARY PENSION PLAN

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A DISSERTATION SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN ACCOUNTING AND FINANCE

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DECLARATION

I hereby declare that this research work was solely conducted by me under the supervision of Professor Aminu S. Mikailu. To the best of my knowledge and belief, this work has never been submitted in any institution for an award of a degree or certificate of whatever kind.

All borrowed materials are duly and properly acknowledged. I am sorely responsible for all errors contained therein.

MAUDE, Aminun-Kano

CERTIFICATION

THIS DISSERTATION REPORT ENTITLED "AN EVALUATION OF THE NIGERIAN PENSION SCHEME WITH SPECIAL REFERENCE TO MILITARY PENSION PLAN" BY MAUDE, AMINUN-KANO MEETS THE REQUIREMENTS GOVERNING THE REGULATION OF THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN ACCOUNTING AND FINANCE OF AHMADU BELLO UNIVERSITY, AND IS APPROVED FOR ITS CONTRIBUTION TO KNOWLEDGE AND LITERARY PRESENTATION.

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Chairman, Supervisory Committee Date

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Member, Supervisory Committee Date

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Member, Supervisory Committee Date

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Head of Department Date

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Dean, Postgraduate School Date

DEDICATION

This work is dedicated to the memory of my mother.

ACKNOWLEDGEMENTS

I thank the Almighty Allah for giving me health and the courage to undertake a research on a topical issue that affects the lives of millions of Nigerians, and an issue that has been on the agenda of policy - pension.

I sincerely express my heart-felt gratitude to my major supervisor and mentor, Professor A.S. Mikailu whose encouragement, support and intellectual guidance have contributed in no small measure towards the conduct of this research. Prof. Mikailu's fatherly advice has indeed been instrumental towards sustaining my enthusiasm and giving me the courage to conduct this research to a successful end.

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lesson for my other children to give unwavering commitment to hard work in all their undertakings.

ABSTRACT

In recent years, the plight of pensioners, especially former military personnel, has dominated the headlines, prompting the authority in Nigeria to undertake a reform of the country's pension system. The aim of this research work is therefore, to evaluate the causes of the failure of the defined benefit pension scheme in Nigeria and to recommend measures that will ensure the success of the newly introduced defined contribution pension scheme. To achieve these objectives the research reviewed literature on pension, underscoring the merits of pension reforms commonly associated with a switch from a defined-benefit (DB) to a defined contribution (DC) pension system. We also used data from a cross section of 360 both former and serving staffs of the Nigerian military service to gauge the extent of their satisfaction with the DB scheme. Using F-tests obtained from the one-way analysis of variance, hypotheses were tested.

The main results emanating form the study can be grouped into a couple of categories. One, our results show that the defined benefit pension scheme suffered from a glaring lack of commitment by the military pension authority to ensure efficient service delivery to the pensioners. According to the findings of this research, lack of commitment of the authority is manifested in a number of ways, such as poor administration manifested in over-centralization of the pension agency, with a poorly administered organ being responsible for pensioners nationwide. Our results also show that Nigeria's defined benefit scheme suffered from not only inadequate funding but also from flagrant

refusal of the military to subject their operations to regular audit, an important requirement for transparency and sound governance.

Our main policy conclusion is that while the reforms of the country's pension is in order and laudable, lessons from this research suggest that adequate cares should be taken to ensure that the relevant military pension authorities stick to the requirement of regular audit, and avail themselves of the opportunities offered by modern information and communication systems that allow for computerization of pension records for efficiency, transparency and effective management.

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CHAPTER ONE
INTRODUCTION

1.1 Background

The subject of pension and the more general issue of averting old-age poverty has taken a centre stage of policy in many countries around the world. Two major factors have contributed towards the ascendancy of pension issues in public discourse. One, in many developed countries and increasingly east Asia, demographic trends have continued to fuel the ageing problem. The ageing of population has increased the dependency ratio, with a smaller number of working population becoming responsible for an increasing number of elderly (see table 1.1).

Two, in many developing countries – some of them not seriously affected by the ageing phenomenon – problems arising from poor management of public resources have helped to place on the agenda the need for the private sector to take on an increasingly wider role, and for the state to reduce its participation in economic activities, except to the extent of providing a regulatory environment for competition to thrive. Thus the demographic factor and the need to shift responsibility to the private sector have contributed in no small measure for countries to start thinking once again about reforming their pension systems. What is more, until the pioneering lead of Chile in 1981, many countries have operated and maintained a defined-benefit pension scheme, characterised by public management of pension resources, and very often, with no employee contribution into the funds.

Table 1.1: Demographic Trends

Regions/ Countries	Percentage of Population			Dependency Ratio	
	Over 60 years	Over 65 years	Over 75 years	Over 65	Over 60
Africa					
Nigeria	3.8	2.3	0.5	4.4	9.8
Tunisia	6.5	4.1	1.2	7	14.3
Zambia	3.6	2.3	0.6	4.7	10
OECD					
France	18.9	13.8	6.5	20.8	35.3
Japan	17.3	11.9	4.7	17.1	30.9
U. K	20.8	15.7	6.8	24.0	38.8
USA	16.6	12.3	5	18.7	30.3
Latin America					
Argentina	13.1	9	3.2	14.8	26.9
Chile	8.7	5.9	2.1	9.3	17.0

Source: World Bank (1994)

The "demographic time-bomb" as many came to regard the implications of changing demographic structure, was noted to pose grave challenges on the abilities of governments in many countries around the world to sustain the defined-benefit, pay-as-you-go (PAYG) scheme and served as an impetus for them to think more seriously about the urgency for reforms. Indeed, President Bush on 2 February 2005 in a state of the union address was quoted as having called for privatization of pension system. For a country the size of the United States with significant number of workers and retirees, this call could well have been regarded as coming rather belatedly, for countries such as Chile since 1981 decided to take that path, closing down their defined-benefit pay-as-you-go system, and making it mandatory on all new entrants into the labour force to register into a new pension scheme that is contributory in nature and based on

individual accounts and private management. Other developed countries in Europe (such as the United Kingdom, Sweden and the Netherlands) and Australia also embarked on a range of pension reforms, most of them involving adding to the existing structure, a defined contribution pillar in the hope that the first pillar would guarantee minimum pension in old age, and the second enable the elderly to maintain a reasonable level of living in retirement.

In the developing countries of Africa, the extent of reforms is little studied. Indeed in many international forums debating the process of pension reforms around the world, the sub-Saharan African countries are scarcely mentioned, let alone examined for their progress in this field. A recent World Bank publication, edited by Whitehouse (2007) documenting the country experiences of pension reforms sketched the progress made in 53 countries around the world in their pension reforms. None of them was a sub-Saharan African country.

Events over the last three years are likely to help change this picture. Nigeria in June 2004 enacted a law making it mandatory on federal civil servants, the armed forces, and workers in private sector firms employing more than 5 persons to make monthly contribution into individual pension saving account based on private management. This policy was conceived against the backdrop of mounting problems with the previous defined-benefit, PAYG, system, which the country had operated since after independence in 1960. The PAYG system placed the responsibility on the government for ensuring income security in old age. As the years went by, the PAYG system continued to pass

through dire circumstance, with pension arrears rising to record levels, and estimates putting the figure at more than two trillion naira.

The plight of retirees actually attracted attention of the media and other stakeholders. In many countries ex-service men and women tend to get priority attention, given the role they play in securing and maintaining peace and stability. That many members of the armed forces have died in national assignments only serves to prick the conscience of the government on the need to fulfil its own part of the bargain in many ways, including providing income security to those that live long enough to reach retirement age, and rehabilitation of the disabled and the families of the deceased. That many pensioners have been hard hit with prolonged delays in payment of pension dues serves to support the claim that the authorities in Nigeria have not lived up to this expectation. Similarly, cases of demonstrations of ex-service men over unpaid pension entitlements were common, and have drawn the headlines. A large number of retirees and their families were thrown into destitution and the government was under pressure to address their plight. Under such circumstances, and in the face of the prevailing philosophical leanings of the government towards market-oriented reforms, the pension system was restructured to give the private sector a greater say in the management of pension, and to place the responsibility of old age security into the hands of the workers themselves. The current policy of pension reforms in Nigeria should therefore be seen against the backdrop of these challenges.

1.2 Statement of the Problem

Thus, in order to make meaningful suggestions for policy, three related issues need be investigated empirically. The first challenge for empirical scrutiny is the need to examine whether or not military pension authorities are committed to uplifting the welfare of military pensioners. A second empirical challenge is the need to gauge the relationship between funding adequacy and the welfare of military pensioners in Nigeria. A third area posing a problem for empirical investigation is whether or not the military pension authorities in Nigeria are adopting the right accounting standards and if not, how this gap is aiding to worsen the welfare of military pensioners in Nigeria.

1.3 Objectives of the study

Although the issue of pension reforms is high on the agenda, and government in Nigeria is committed towards achieving the basic goal of pension (providing income security in old age), a number of issues either are scarcely debated, or completely outside the purview of intellectual discourse. What is more, a lot of the literature on the experiences of countries that have reformed their pension systems is little understood. Further, research in the area of pension has been at a low ebb for a number of reasons. One, given that the pension reforms have just taken off, it is quite conceivable that absence of secondary data could well serve as a wedge against rigorous empirical investigation.

Second, to the extent that the pension reforms have just started and that earlier empirical works in Nigeria are scanty, the absence of literature on the issue on Nigeria could also serve as a deterrent against a research endeavour on pension. Further, the regulatory agency, National Pension Commission (PENCOM) is in the forefront of raising awareness about the new scheme, but given the myriad of activities they pursue at this formative period of the organisation, awareness creation aspect, though a priority, may not get the complete attention it deserves. In fact in a seminar in Sokoto in March 2007, the agency was noted to have indicated awareness creation about the new scheme as a priority area and one that will require the attention of the agency and other stakeholders in the system.

Given the evident paucity of awareness about the pension system it is understandable also why research in this area has been rather scanty. This research aims to make a modest contribution in the following areas: To examine:

1.3.1 To undertake an analytical review of lessons of pension reform from other countries and to draw lessons for countries such as Nigeria, which is just beginning to pursue reforms.

1.3.2 Whether or not there is a significant relationship between the welfare of pensioners and their perception of the military's commitment to

i. Regularity of payment,

ii. Record-keeping

iii. Conformity with accounting standards.

1.3.3 Whether or not certain demographic variables of pensioners are significantly related to their welfare; and

1.3.4 The extent to which welfare of pensioners is related to willingness of active service personnel to participate in a contributory pension scheme.

1.4 Statement of Hypotheses

In order to achieve the aforementioned objectives, the research formulated and tested the following hypotheses:

1. There is no significant relationship between pensioners' welfare and regularity of payment
2. There is no significant relationship between welfare and type of service contract.
3. There is no significant relationship between welfare and modality of record keeping.
4. There is no significant relationship between welfare and conformity with accounting standards requirement for audit and disclosure.
5. There is no significant relationship between retirees' welfare and their age categories.
6. There is no significant relationship between welfare and years of military service.
7. There is no significant relationship between welfare and proposed method of payment.
8. There is no significant relationship between welfare and willingness to participate in a contributory pension scheme.

The second method of analysis intended to lead to statistical inference is regression analysis.

9. There is no significant relationship between welfare and managerial effectiveness of pension scheme

10. There is no significant relationship between pensioners' welfare and operational effectiveness of pension scheme.

11. There is no significant relationship between pensioners' welfare and inadequacy of funding of the pension scheme.

1.5 **Justification**

First, an analytical review of pension issues will advance our understanding of the issues involved for both research and policy formulation, review and appraisal. For the purpose of policy, a number of countries such as Chile and Bolivia in Latin America and Singapore and Thailand in Asia, have adopted reforms of pension of the variety currently pursued in Nigeria so the lessons learned from such countries might be of help for the policy maker in this country.

A second basis upon which the study may be justified is that by aiding our understanding of the perception of pensioners towards the ability of the military to adopt sound accounting practices, pay attention to regularity of pension emoluments, and keep accurate records of personnel, one would get a clearer picture as to how these perceptions affect their satisfaction with the system. In that way, measures to change any negative perception could be proposed based on objective assessment of data supplied by the respondents from the military community.

A third ground on which this study may be justified is that since the primary object of any pension scheme is to promote income security in old age, it will be of help to understand whether and to what extent demographic characteristics of respondents, such as age, might affect their perception of, and hence satisfaction with, the military pension. Should persons with varying age and other demographic profiles be found to vary significantly with respect to their perception of ability of the military establishment to adopt the right practices in the discharge of their pension-related obligations, this will provide objective information that will inform recommendation for policy.

Finally, critics might argue that since Nigeria has opted for a defined contribution system, knowledge of satisfaction with an old scheme may not adequately help advance policy. Despite this possible observation, a rebuttal could help provide another justification for this study. In Chile and to a lesser extent, Bolivia, the transition period was very long, 40 years in the former and 30 in the latter. Although Nigeria's transition period has not been defined in terms of a specific number of years, the fact that the old system will coexist side by side with the new until the death of the last person that participated in the old scheme means that the period is long, and could last for more than 25 years. Thus, elements of this study that relate to a defined-benefit scheme in the military could help provide input for policy if not for any other reason than to address the plight of military pensioners over the course of 25 years.

1.6 **Scope and Limitation**

The administration of data for this study is limited to Nigerian military establishment. The research covers the period 1972 to 2006. This is the period that the military witness the congestion and problems of the retiring personnel. The researcher had colleagues and institutional support that facilitated collection of data from this section of the Nigerian population. Although this could be seen as a limitation, there are two reasons it may be regarded not as a serious one that will jeopardise the study. One, data analysis was based on a large sample, totalling more than 330. To the extent that the sample is large, this can be seen as an appropriate step to overcome the aforementioned limitation. Second, the plight of pensioners anywhere in Nigeria attracts attention. However, there does appear to be a growing realisation that a country with a weak military pension system could equally have weak systems in other segments of the society. This is because it is expected that the country might feel more obliged to attend to the plight of people who laid their lives in the defence of the nation both during tumultuous periods (like during the civil war) and periods of normalcy. In this regard, the health of a military pension system could be a barometer for gauging the health of the entire system.

1.7 Definition of Terms

For the purpose of this study, the following definitions are adopted, unless otherwise stated:

Gratuity or severance pay: lump sum parting gift from employers on retirement.

Pensions: regular payments to a retired worker for life by the employer or lump sum payment on one off basis.

Defined benefit (DB): Pensions plans that is fully funded or financed by the former employer without direct financial contribution of the retiree.

Defined contributions (DC): pension plans that require joint financing or funding of pensions plan by employer and employee in a definite ratio.

Funded scheme: means set aside investments to finance pensions payments to retirees by the sponsoring organisation.

Unfunded scheme: means pensions scheme that has no supporting investment to finance it. Continuously financed by the sponsor as the needs arises subject to financial viability of the sponsor

Life cycle theory: providing for old age during active years or period of one's life

Consumptions smoothening: saving surplus to support continuous defined lifestyle in periods of adversity or infirmity

Income replacement ratio: levels of pensions amount receipts in relation to last earned salary and wages

Pensions qualifying age: age limit for commencement of pensions drawings

Pensions qualifying service: minimum years of service required to qualify for pensions drawings upon attainment of pension qualifying age.

Pension plan participants: employees contributing to a scheme for future benefit.

Asset Liability Machine (ALM): Pension assets portfolio plans in a way to meet matured obligations without a hitch.

Investment risks: pensions assets portfolios risks

International diversification: strategic portfolio plan mitigating systemic risk or even guarding it completely.

Military: armed forces comprising the army, navy and the air force.

Formations areas of responsibility: divisional areas administered by large military units.

Army: a body of force operating on land.

Navy: a body of force operating on sea.

Air force: a body of force operating in the air and on the ground.

Annuity: financial service purchased to provide maintenance income for life.

Actuarist: experts determining individual annuity purchase price and most likely residual lifespan.

Poverty: inability to afford basic necessities of food, clothing, shelter and medications

Ageing population: part of a country population that are infirm for productive engagement and must be supported to live.

Dependency ratio: in pensions literature refers to the number of retirees to the working population

Fertility ratio: birth rate of a given population

Replacement ratio: ratio of newly entrants into work force to those reaching retirement age.

Demographic trends: structural patterns of a given population

Pension payment intervals: periods measured in months that previous payments fall into arrears due to funds paucity

Annuity providers: insurance company's subsiding dealing in annuity business.

Gender basis of UK pension income: This means discrepancies between women and men's personal income arising from earned pay differentials. It could also be discrepancies between single women and married women's

pension income arising from carrier breaks due to child birth and caring for the aged during which they lost pension credits.

Pension fund administrators (PFA): are licensed pensions funds Investment Company that privately managed to develop person's contributions.

National pension's commission: pension's funds regulatory agency that grants and withdraws licenses to pension fund administrators.

Pension funds custodians: pension assets trustees licensed by PENCOM

Pension funds manager: chief executive as MD of a PFA

Individual retirement account: account opened by employee with chosen PFA into which his pensions savings and return on investment are accumulated for work life period.

1.8 Chapter Scheme

This study is organised into five chapters. While the first chapter is introductory, the second is an analytical review of the literature on pension. The review of literature itself is organised into several sections, some of them tracing the motivations for reforms, others dealing with economic effects of pension, how the pension reforms are related to and are affected by the capital

market. It also includes a review of elements that policy makers should take into account in the implementation of a pension reform. Such elements include for example how introduction of new accounting standards might impact on the balance sheets and valuation of participating companies, how corporate governance structures could be improved to make employers more accountable to the participants, and how certain accounting irregularities could be identified (such as underreporting of charges, or other unethical practices) in order to protect the interests of plan participants. Obviously, such analytical review is based on lessons obtained from other, predominantly developing, countries.

In chapter three, an account of the methods adopted for data collection, analysis and interpretation is provided. In that chapter, the hypotheses for the study are presented, to serve as prelude to the next chapter on data analysis.

In chapter four, the results are presented, based on two categories, the first being a descriptive part, involving no hypothesis tests. In the second part of the chapter, results based on tests of hypotheses are presented with the aid of tables and then analysed.

In the final chapter, we provide a summary of the findings, pointing out their similarities with findings from other studies is stated also a set of recommendations, some of them directed at policy makers, and others for future research is given. The chapter is concluded by cautioning against over-reliance on the findings of this study, owing to the limitations pointed out in chapter one. However, it is also noteworthy that in view of the fact that the

sample is large and all analysis are based on the large sample, such limitations may not affect the modest contributions this study sets out to achieve.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on pension. For a wide variety of reasons, the subject of pension has received significant attention in both developed and developing countries. In the developed countries where the defined benefit pension schemes have appeared increasingly unable to cope with ageing population, the subject of pension reform has been hotly debated. However, given the inevitability of the need for the reforms of such systems, consensus has been achieved across the political spectrum, leading to legislative changes that paved the way for significant overhaul of pension systems in such countries. Many countries around the world have followed the paths of reforms, some of them actually undertaking substantial changes, and others pursuing less far-reaching reforms. Amongst the countries with significant reforms of their pension systems, the Latin American countries are the most celebrated. For example, Chile, 1981; Bolivia, 1997; Mexico, 1997; El Salvador, 1998; Nicaragua, 2003 and Dominican Republic, 2003-05 had under taken significant pension reforms. In the group of countries that retained the old scheme but introduced contributory plans as a second pillar are: Argentina, 1994; Uruguay, 1996 and Costa Rica, 2001 (Mesa-Lago, 2002). Several factors have motivated such countries to undertake varying degrees of reforms of their pension systems. However, two sets of factors stand out

amongst the most important motivations. One is ageing of their populations, and another comprises poor management and funding of their schemes.

The subject of pension has received increasing attention especially in the developed countries where the looming problem of ageing has increased the urgency for reforms of the pension systems. Experts have risen up to the challenge, intensifying research on many aspects of the subject. Given the volume of work in developed countries conducted on pension, it is admittedly a tall order to expect coverage of the subject in a research of this kind. Thus a focus is required on issues that are pertinent to developing countries such as Nigeria, where pension reforms have just started, with both government and regulatory authorities committing themselves to achieving the intended objectives of the reforms. It is perhaps surprising however, that despite the dogged determination to achieve success, empirical research on pension in Nigeria is, to say the least, scanty. The chapter starts with a review of theoretical framework upon which the literature on pension has sprung. This is followed by a review of the macroeconomic effects of contributory pension scheme to the economy. Such effects are categorised into several sections, the first on savings, the second concerned with its impact on the employee and the employer. Other effects are those on the capital market, public finance and diversification benefits derivable from international investment of pension funds.

2.2 Theoretical and Policy Review of Pensions

For many developing countries including Nigeria, the problem of poverty has been one of their most important development challenges. Poverty in Nigeria has ravaged a significant proportion of the population, with over two thirds of Nigerians at the turn of the new millennium living on less than a dollar per day (UNR, 2000). Despite this grim picture, poverty is said to afflict the elderly segment of the population with greater intensity. The incidence of old age poverty is therefore something that has attracted attention. Since the plight of the elderly is a key issue in the public domain, the concept of pension has become equally high on the policy agenda.

The tempo of pension reforms has gathered pace, due in part to coordinated actions between national authorities and international, particularly UN and Bretton Woods, institution. The ILO, for example has been a key player in providing technical assistance to countries reforming their pension schemes. However, the World Bank appears to play a much more proactive role, providing resources and technical support to countries embarking upon, or in the midst of implementation of reforms. As part of technical support for policy makers and researchers, the Bank has launched its "Pension reform primer", which builds on the Bank's pioneering work publication 'Averting the old age crisis: policies to protect the old and promote growth".

It is important from the outset to be clear about what pension means. Mitchell (2002) defines pension as "a long-term financial contract that promises to pay a retiring worker a sum of money intended to support old-age consumption" (p.2). It is expected that pensions are paid regularly and

periodically from the time the employee leaves his job until death (Solorio *et al*. 2002). Similarly, the international accounting standard 19 (IAS 19) sees pension as arrangements, formal or informal, whereby an employer provides benefit for employees on or after retirement from service either in the form of annual income or as a lump sum.

The life-cycle theory of saving is often used as a framework in the analysis of pensions (Bailliu and Reisen, 1997). The theory, in its simplest form, states that individuals prefer to smoothen their consumption, so the main motivation for saving during their working life is to meet their consumption obligations when they retire. Since the theory assumes that individuals are guided by rational expectations, they will, as a matter of necessity, save during their active working life for the aforementioned purpose. If all individuals were to behave as if they were guided by the theory, there would not have been any pension schemes, for rational behaviour would dictate that all individuals will save and be able to meet their consumption requirements in their old age. However, in practice, people hardly behave according to the dictates of the theory. Certain imperfections in the labour market could place some individuals on a permanently low level of income, and thus make them unable to save for their old-age. For this and related reasons, many countries around the world have instituted pension schemes that make it mandatory for workers to participate in and benefit from it when they retire.

Despite the introduction of pension schemes in many countries, advocates of the life-cycle theory of consumption argue that it will be futile to

force individuals to save in a pension scheme. According to the advocates of the theory, since individuals are saving in order to meet their retirement needs, forcing them to save under a mandatory pension scheme will have no effect, for they will simply channel part of their savings in order to meet the mandatory requirements. In other words, mandatory requirement for individuals to save will have no impact at all on aggregate savings.

It is also conventional to provide a definition of not only pension as given above, but also of two related concepts: defined benefit and defined contribution plans. In a defined benefit (DB) pension plan, the sponsor (in most cases government, or private corporations) promises to pay the worker a certain amount on retirement. Such payment could be a lump sum, a periodic payment, or a combination of the two. According to Mitchell (2002) in a defined benefit scheme, the employer "bears the risk of setting aside funds adequate to pay the promise" (p. 2). In a defined contribution (DC), the sponsor promises to deposit a specified contribution into the plan periodically and the plan participant bears the capital market risk associated with investment returns on that deposit. However, van Capelleveen et al (2006) caution that although there is the tendency to consider the two types of pension systems as widely different from each other in terms of who bears the risk, they argue that this approach is wrong. Instead, they see the participant as the ultimate bearer of risk, regardless the type of pension plan.

How do the above definitions relate to the pension system in Nigeria? The obvious answer is that until June 2004, Nigeria operated defined benefit

plan and during that time workers were not expected to contribute towards their retirement. The pension system of that time could therefore be regarded as the pay-as-you-go system, as responsibility for payment of current pensions lay in the hands of current workers. As will be seen in several parts of this and subsequent chapters, Nigeria's experience of the DB scheme was fraught with many problems, a couple of which are very pertinent. First, paucity of funds caused prolonged delays in payment, with pension arrears rising to over two and half trillion naira (Sanda and Sabeh, 2007). Second, the plight of the retirees and their families was grim, with many reported cases of deaths on pension payment queues.

Predictably, pressure on the authority continued to mount as the confidence of the people, especially the retirees and their families had evaporated from the DB scheme. The authorities facing a fragile pension scheme had to decide whether to retain the old scheme but improve on the administrative machinery for efficient delivery, or indeed to introduce sweeping reforms of the system. The government of President Olusegun Obasanjo opted for the second option, for two reasons. One is that the defined contribution plan, which offers the private sector a role to play in the management of funds, is in tune with the reforms the government was pursuing that gave the private sector a prominent role. Moreover, the country's blueprint for social and economic development, the NEEDS (National Economic and Empowerment and Development Strategy) aims to promote the private sector

as the engine of growth. Thus, the adoption of the DC scheme should be seen to be in conformity of the market-based philosophy of the time.

In view of the difficulties the DB scheme in Nigeria was passing through, the government in June 2004, enacted a law tagged "Pension Reform Act, 2004". Under the Act, workers in federal civil service and employees working for firms with 5 or more staff, were required by the law to contribute 7.5% of their basic salary, and the employer to offer a matching contribution towards a retirement savings account. There are exceptions to this contribution rates, however. For workers in the military service, contribution rates of 2.5% for the employee and 12.5% for the government are provided for in the Act. The Act also provides that government should make full contribution of 15% for Judges.

The Act also provided for the setting up of the National Pension Commission (PENCOM) as the regulatory agency responsible for overseeing all aspects of pension in Nigeria. It also provided for the setting up of Pension Funds Custodians (PFCs) that are responsible for the safety of all pension funds. As at May 2007, PENCOM has approved the setting up of four PFCs. They are:

- UBA Pensions Custodian Ltd;
- Zenith Pensions Custodian Ltd;
- First Pension Custodian Nigeria Ltd;
- Diamond Pension Fund Custodian

The Act also provides for the setting up of Pension Funds Administrators (PFAs). Appendix 1 lists 16 PFAs that PENCOM had licensed. In addition to these, four other PFAs, regarded as "closed PFAs" had been licensed to continue operations but to be under the overall regulatory purview of PENCOM. A notable feature of Nigeria's new pension scheme is that it places the burden on the employer to ensure deduction of contributions and remittance of same to the designated PFCs. A pertinent question to ask is why did Nigeria follow the lead of Chile in replacing its DB scheme with a new DC plan? There a number of theoretical and empirical arguments on the economic effects of contributory pension scheme, a subject we take up in the following section.

2.3 Economic Effects of Pension: A Review of Theory and Empirical Evidence

The economic effects of contributory pension plans have been the subject of debate. However, although country experiences differ, a number of common features are discernible. One, contributory pension plans have been associated with improved aggregate savings and economic growth. Second, contributory pension schemes help the employer to retain high productivity, low turnover staff. Third, by contributing towards significant increases in savings, contributory pensions schemes have significant effects on the financial market, and overall growth and development.

2.3.1 Effects of DC pensions scheme on savings

The literature suggests circumstances in which contributory pensions might lead to improved savings. Drawing from the experiences of Singapore and Chile, Schmidt-Hebbel (1999) observes that pension reforms had made tremendous contributions towards savings mobilisation. It is no wonder according to Schmidt-Hebbel that many countries around the world had embraced pension reforms, with varying degrees. According to him the greatest wave of pension reforms was experienced in the 1990s. Since 1992, more than 110 countries have undertaken some sorts of pension reforms, although only about 20 countries actually made drastic reforms of their pension systems.

Bailliu and Reisen (1997) use panel data on 11 countries (that comprise 7 OECD and 4 non-OECD countries) for the period 1982 to 1993 and document evidence suggesting that contributory pension schemes have significant effects on raising aggregate savings. This empirical finding is in conformity with the results reported by Faruqee and Hussain (1994) who reported that provident funds had significantly raised savings rate in Singapore. Experience of certain countries of Latin America, especially Chile, reveals that pension schemes have a significant effect on raising savings. Queisser (1999) has provided a detailed account of the experience of Latin American countries in the reform of their pension systems. According to her, the experience of Chile, which led the entire reform process was indeed spectacular. She noted

that Chilean pension system had by 1999 accumulated more than US$30 billion, equivalent to 40 percent of the country's GDP. There are other ways in which the contributory system has made positive contributions to the economies of Chile and other Latin American countries. Queisser (1999) shows that the returns from investment of savings generated from the contributory pension schemes were impressive. In the case of Chile, returns reached an average of 11% per annum over a period of 17 years. The author also shows that in Argentina, comparable rates of returns have been recorded with estimates putting the figure at 13%.

This is not to suggest that the literature is unanimous on the link between contributory pension plans and savings. Some studies have reached opposite conclusions. For example a study by Reisen (2000) comparing developed and developing countries finds no positive effect of pensions on aggregate savings among the OECD countries. This is in stark contrast to the case of the non-OECD countries for which the author reported significant contributions of pension to aggregate savings.

There are other studies that question the efficacy of the argument that contributory pension schemes could actually improve savings. From the work of Buetler et al (2005) we know that under certain conditions, mandatory pension scheme do not raise aggregate spending. The main thrust of Buetler et al's argument is that when pension replacement rates are high (ie when the pension income that a retiree draws is high relative to wages), this will induce early retirement. However their work takes cognizance of some exceptions. In

particular, for low-income earners, high pension replacement rates may not necessarily induce early retirement, since in their own case they just have to continue to work even after reaching the minimum age of retirement, for according to Buetler et al, this category of workers simply cannot afford to retire. The authors also draw on the work of Craig and Batina (1991) to conclude that "the introduction of a social security program acts as a disincentive to supply of labour in the later stages of life, thus affecting also the level of output produced" (p. 5).

It should also be stressed that although Buetler et al's work has advanced our knowledge of how certain forms of pension schemes might actually negate the intended goal of raising savings, they suggest other behavioural factors that affect retirement. In this regard, the authors identify several factors, namely state of health, marital status of respondents and the employment status of the spouse. The authors also acknowledge the importance of heath conditions as a determinant of early retirement, citing studies by Howe and Manning (1987) and Monette (1996) to buttress their point. They also provided other reasons why people might want to retire early: the need to maintain contacts with friends and family members and the marital status of the respondents (as couples tend to retire together, regardless of their ages).

Although the empirical evidence surveyed by Buetler et al is largely in support of the aforementioned behavioural factors, they caution that retirement should not be construed to always mean total withdrawal from economic

activity. To the contrary, they observe that certain retirements are really withdrawal of service from certain type of economic activity that enables the retirees to partake in other income-earning jobs.

Niemietz (2007) acknowledges the contribution of Homburg (1988), who argues that funded pension schemes have an advantage of increasing the level of savings and investment. According to Niemietz (2007), in Chile, savings rate has increased from an average of 12% in the 1970s to the average of 23% in the 1990s. However, Niemietz cautions that this should not be taken as suggestive of absence of contrary views on the subject. Citing the work of Orszag and Stiglitz (1999) and that of Bennet, Loayza and Schmitdt-Hebbel (2001), Niemietz provides a range of dissenting views on the subject. According to him, Orszag and Stiglitz (1999) have denied the claim of a tendency for funded schemes to lead to increased savings, arguing that mandatory savings for pensions could simply reduce voluntary savings in other sectors of the market. Orszag and Stiglitz (1999) also give another reason why one should not expect funded schemes to lead to increased savings. During the transition from PAYG to full funding, transition deficit that occurs when changing from an unfunded to a funded pension scheme could also counter the supposed positive effects of funded schemes on savings.

Whether they have departed completely from defined benefit to defined contribution schemes, or are running a multi-pillar system with both types of schemes functioning in the provision of retirement pensions, countries undergoing reforms are all faced with the critical financing role of the state in

providing adequate funds especially during the transition period. It is important also for the state not only to provide adequate funds during the transition period, but also adequate information about all employees that had record of service during the old scheme. Such information is important not only to the regulatory agency but also to the pension fund administrators. This sort of information is vital for the determination of years of service and the face value of the recognition bond to be issued.

Do these dissenting views on the effects of contributory pensions schemes stand up to the experiences of reforming countries? We attempt to answer this question by referring to a number of recent experiences. First, consider the case of Singapore (about which more will be discussed in a subsequent section). In 1955, the British colonial rulers introduced the Central Providence Fund (CPF) specifically to meet retirement income needs. In the 1960s after independence, the CPF underwent significant changes, covering not only retirement income, but also providing medical insurance, purchase of flats and settling bills for tertiary education for the participants and/or their children. According to Pai (2006: 12) as at 2005, the scheme, which covered 60% of active working population, had a total of US$111.3billion in savings. The author also notes that in Thailand, the country's Government Pension Fund (GPF), introduced in March 1997, had by December 2004, raised well over US$6.2 billion in savings (p. 21). Pai (2006) also noted that in Hong Kong, the country's Mandatory Provident Fund (MPF), introduced in 1995 had by December 2005 raised a whopping sum of US$19.5billion in savings.

The above, clearly represent an illustration of just how fast mandatory contributory pension schemes could raise savings. What is unclear from the above analysis, however is whether or not such savings could have been made any way in the banking system, even if the governments in those countries had not introduced the schemes, and made contributions mandatory. This argument, however, though in line with the life-cycle theory of savings (alluded to earlier on), does not take into account the argument proffered by Bevan and Taylor (2006) that in developing countries, binding liquidity constraints make it impossible for the process of consumption smoothening to hold.

In order to reinforce the case for pension reforms, Schmidt-Hebbel (1999) survey the literature on how pension reforms might contribute to the promotion of savings. His review was extensive, providing a range of results, which can be summarised as follows. First, he cites the work of Feldstein (1974), which was conducted on data from the United States of America and provided confirmation that workers participating in a PAYG schemes on averaged saving between 40-50% less than those in contributory schemes. What is more, other studies such as those by Perelman and Pestieau (1984) on Belgium and Yamada and Yamada (1988) on Japan, equally revealed similar trends, with PAYG participants saving significantly less than participants of the contributory plans. Further, Schmidt-Hebbel's (1999) review cited a study on a sample of 11 OECD and 25 less developed countries by Edwards (1995) which

revealed that PAYG schemes tended to generate significantly lower levels of savings compared to contributory schemes.

It is difficult however to claim that the empirical evidence is unanimous on the tendency for contributory schemes to generate more savings than the PAYG plans. To the contrary, Schmidt-Hebbel's account of empirical evidence on the possible effects of contributory schemes on savings has cited a range of conclusions from earlier researchers (such as Kopits and Gotur, 1980, Modigliani and Sterling, 1983 and Koskela and Viren, 1986) that showed no statistically significant differences in the ability of those schemes to generate savings.

Despite the above conflicting evidence, the bulk of the literature seems to weigh heavily in support for a tendency for PAYG schemes to generate less savings than the contributory plans.

2.3.2 Benefits of DC Pension scheme to the employee and employer

Both employer and employee stand to benefit from a contributory pension scheme. For the employer, contributory pension schemes can be a means of retaining high-productivity staff. Mitchell (2002) argues that certain types of contributory schemes allow the employer to provide their own contribution to employees that work for a certain number of years. This kind of scheme has positive ramifications for the employer as it encourages high-productivity, low-turnover workers to stay with the same employer for at least that minimum number of years that will qualify them for employer's

contribution to the pension scheme. This has the added beneficial effect of reducing the costs of training and retraining associated with employee turnover.

The employee also stands to gain from a contributory pension scheme. Apart from enabling the employee to increase personal saving (as discussed in a subsequent section), pensions help the employee in some other important ways. First, when pension contributions are made mandatory, it is possible for employees as a group to obtain group annuities on more favourable terms. This is because individuals with history of longevity might on their own be unable to secure annuities that are as favourable as if they were part of a larger group.

Second, the employee could benefit from a contributory pension scheme as it promotes mobility of labour. Under a DC plan, a participant's retirement savings account is not affected by a change in place of employment – the account is perfectly mobile. In contrast, under the DB scheme, the employee might be reluctant to change employment as doing so might complicate calculations of his/her retirement benefits. Under the DB scheme, a person with employment history in more than one place of employment faces the prospects of delays in pension payment since the various previous employers have to liaise with one another to determine the contribution of each towards his/her retirement benefits. To the extent that DB schemes complicate matters when it comes to retirement benefits, employees tend to forego the marginal benefits that a change in job might offer, in preference for certainty about their pensions when they retire with a history of employment obtained from one employer.

2.3.3 Effects of pensions on capital markets

Contributory pension funds have been linked with development of the capital market. In a review of the extent to which contributory pension schemes might contribute to the development of capital market, Mitchell (2002) cites the work of Holzmann (1977) and offers a couple of explanations for that link. First, "moving from an unfunded (ie DB) to a funded (ie DC) scheme can generate positive economic externalities including the promotion of deeper, more competitive, and more liquid financial markets" (Mitchell, 2002: 12). According to Schmidt-Hebbel (1999), reforms of pension schemes are associated with capital market development. The argument is that privately-managed pension funds encourage the development of new instruments (such as long-term bank and corporate liabilities, equity, mortgages, pension annuities) and new financial services (such as risk rating, individual investment and pension annuities advice) and contributes to financial deepening. By their nature, pension funds run into billions of dollars, offering an incentive for managers of such funds to pursue interests that may hurt the participants. As a result of this, pension reforms are normally accompanied with supervisory and regulatory structures, which hitherto were either non-existent or at best in their formative stage of operations. Thus, to the extent that pension reforms lead to emergence of regulatory and supervisory institutions, they do contribute in a significant way toward the development of the capital market since the impact of such institutions are felt not only in the

pension industry in particular but also other facets of the financial and capital markets in general.

Since the reform of pension schemes from defined benefit to defined contribution schemes is associated with the development of institutions, it is important to examine how institutional development in turn may affect development of capital market. In an article by Davis (2000) the implications of the growth of institutional investors for financial sectors was examined. According to Davis, while banks have an important advantage in the issuance of loans, since loans require direct monitoring and the development of customer relationships, the securities markets have a comparative advantage in trading (in securities) and risk pooling. In line with the preceding argument by Schmidt-Hebbel (1999) that pension systems do contribute to capital market development, Davis emphasizes the importance of institutional investors (which spring up or develop as a result of pension reforms) on capital market development. He also cites the case of Chile as an important pointer to the critical contributions that institutional investors make towards capital market development.

2.3.4 Effects of pension on labour market

A DC scheme has the ability to remove labour market distortions created by the DB plan. How does a DB create labour market distortions? Under a DB plan, current tax payers support the payment of pensions to current pensioners. Thus, in a DB scheme, the beneficiaries of pension are quite different from

those that raise the tax revenues to cover it. Thus, tax payers may have no incentive to exert effort since the sweat of their labour goes in part to a different set of people, not themselves. The resulting distortions that this system creates can be overcome by a contributory scheme since in this case, what one draws as pension is directly attributable to one's previous contributions. Thus in a DC scheme there is an incentive in the labour market for one to exert effort, since part of the proceeds from such effort goes into a pension account from which one could draw pensions on retirement.

Further insights are offered by Niemietz (2007) on the link between funded pension schemes and labour market mobility. Citing the work of James (1998) to make his point, Niemietz (2007) argues that even in the case of funded defined benefit schemes, workers consider contributions towards such schemes as a tax, while payments to one's own savings account are not regarded as such. Since a tax on labour has the tendency to distort the labour market, defined benefit pension schemes are more likely to distort the labour market. However, Orszag and Stiglitz (1999) do not subscribe this point, Niemietz contends. For Orszag and Stiglitz (1999), contributions into a defined benefit plan can only be regarded as a tax in so far as they contain elements of income redistribution. Empirical evidence from Chile, however does not stand up to these predictions. By referring to the earlier works of Edwards and Cox-Edwards (2002), Niemietz (2007) observe that pension reform in Chile has actually increased employment.

In terms of their effects on the labour market, defined contributions scheme have another advantage over the defined benefit plans. According to Niemietz (2007), many developing countries have a significant informal sector. For these countries, the argument goes, a switch from defined benefit to defined contributions has the effect of reducing taxes (since contributions towards a private saving account are not regarded as tax). A reduction in taxes, in turn, makes the formal sector more attractive, relative to the informal sector. This causes a movement of employers and workers toward the formal sector. Since the formal sector is more productive than the informal sector, the switch of resources into it has the tendency to increase employment and output.

Schmidt-Hebbel (1999) introduces a novel idea on how the PAYG system affects the labour market. He identifies specific aspects of the labour market that are affected by the PAYG: the supply of labour, labour force participation of aged people, the composition of formal and informal employment, and the level of structural unemployment. Referring to the work of Feldstein (1996), Schmidt-Hebbel (1999) argues that the PAYG scheme distorts not only the number of hours that individuals spend at work but also other aspects of labour supply such as choice of occupation and location of work. The author uses econometric evidence to buttress the claim that PAYG scheme tends to exert negative effects on the labour market. In particular, Schmidt-Hebbel (1999) refers to the work of Modigliani and Sterling (1983), which showed that amongst the sample of 21 OECD countries, the PAYG plan

has had a significant negative effect on the labour force participation of the elderly.

Beyond its impact on labour force participation, the PAYG system is shown to have equally adverse consequences on formal sector employment. Schmidt-Hebbel (1999) agrees with the suggestion by Niemietz (2007) that the PAYG system tends to have negative effects on formal sector jobs. This is because the system serves as a tax on formal sector employment, causing workers to shift from formal sector where the tax is imposed to the informal sector where it is not. According to Schmidt-Hebbel (1999), a study by ILO of 13 Latin American countries shows that with the exception of Chile that had reformed its pension systems all of them were observed to have a significant predominance of the informal sector in their economies. The author concludes that the informal sector is more likely to flourish in countries with significant PAYG scheme, or those that have made half-hearted efforts to reform them. Further, he concludes that the informal sector may "shrink after introducing a fully funded pension system in response to lower net labour taxes in the formal sector that encourages resource allocation toward the formal sector" (p. 8).

2.3.5 Effects of capital and financial markets on pension funds

Although in an earlier discussion, a review was given on the role of pensions in contributing to the growth and development of labour and capital markets, studies by other scholars have examined the reversed causality. A couple of studies have actually furthered our understanding of this relationship.

van Capelleveen et al. (2003) examine how derivatives can help reduce pension fund crisis. The authors refer to a number of developments that motivate them to undertake the study – developments that steeped many pension funds into a wave of crisis. While population ageing was considered amongst a contributory factor to pension crisis, the authors also see changing accounting rules (to be discussed in more detail below) as having a significant contribution to the crisis. Other factors contributing to the pension crisis are low interest rates, and very poor equity market returns. According to van Capelleveen et al. (2003), these factors have made significant impact on pension funds crisis generally. They also note that the behaviour of pension fund managers does not help matters. In particular they observe that many pension fund managers are return-oriented, spending large sums of money on active investment strategy. They note that although huge sums are spent on such investment strategy, the final outcome has been dismal performance, with such strategies tending to contribute more to costs than to revenues. Moreover, pension fund managers tend to "stubbornly stick to traditional classes of (international) fixed income, equity and real estate" (p. 2). The deficiency of this strategy according to the authors is that the benefits of diversification have been significantly reduced as world stock exchanges have become strongly correlated.

van Capelleveen et al. (2003) observe that certain developments in the capital markets seem to offer opportunities for fund managers to improve performance. In particular, they note that since pension funds have been

engulfed in crisis, and that fund managers have not been able to improve on their investment performance, they should explore avenues offered by the developments in the capital markets with a view to determining whether or not such avenues could improve the performance of the funds. In order to strengthen the case for this, the authors undertook an investigation into how derivatives (in particular options) might improve the performance of pension funds. The authors reach the following conclusions: First, although investing fully or largely in bonds is associated with high cost burden, investment in equity will not offer the required alternative, for this avenue too has its own drawback – it leads to higher level of risk. Second, properly constituted options strategies can add substantial value to pension fund management, cautioning that "optimal strategy however, should be deter mined in asset-liability context and not on ad hoc" basis. Finally, different pension funds require significantly different option strategies, and what works well for one fund may be less effective or even counter-productive for another.

2.4 Public Finance

Moving from a PAYG to fully funded pension schemes is normally accompanied with a question of how the government will finance the implicit debt associated with PAYG. The debt arises because the first cohorts of workers made no contributions towards their retirement, yet the government has an obligation to pay them when they retire. The literature suggests two major ways of financing the deficit. One, is through the sale of government

assets (like privatisation or international reserves) or the issuance of explicit government debt (Schmidt-Hebbel, 1999:4). Another is to cut government expenditure or raise taxes during the transition period.

Whatever means a government might choose to finance the deficit, a critical policy issue is the time horizon within which such deficit will be covered. For developing countries having limited scope to raise significant amount of resources with a short time to settle the deficit, a politically expedient approach is often adopted to cover the deficit. Chile, for example, adopted a 40-year transition period, enabling the country to keep incurring low levels of annual transition pension deficits.

2.5 The Advent of Pension Reform in Asia

The developing countries of Asia and the Pacific have had a rather long history of pension plans. Most of those countries, however, have operated national provident funds. According to Turner (2002), out of the 19 countries in the world that operated provident funds, 13 were from the region. A notable feature of the region is that they face a much more daunting challenge of ageing population than even the developed countries of Europe and the United States of America. According to Turner, six countries of the region (Thailand, China, South Korea, Taiwan, Japan and Hong Kong) have fertility levels below the replacement rate. As a consequence, Japan's population was reported to have peaked in 2006 and demographic projections estimate that by 2050, Japan will have 20 million fewer people than the figure for 2006.

What does this demographic trend portend for the region. As far as pension is concerned, the implication of this trend is that there will be relatively more people living on pensions than the economically active population. The concomitant increase in the dependency ratio has therefore been an important factor promoting the countries of the region to begin to reform their pension systems.

The literature (for example, Turner, 2002) suggests at least a couple of reasons driving those countries on the path of pension reforms. One, an increasingly higher proportion of their workforce is engaged on wage employment, with significant numbers working and living away from their parents. Thus, reform of the pension system to cater for the elderly was seen as a supplement to the existing traditional practices of caring for the elderly by their relations. A second reason was that when the Asian financial crisis started in Thailand in 1997 and spread rapidly to many countries of the region, many workers lost their lifetime savings, and underscored the fragility of their pension systems.

The fragility of their social security (and pension) schemes, alluded to earlier on, is manifested in a number of ways. One, provident funds in many of those countries had very dismal records of investment performance. Citing the work of Asher (1999), Turner (2002) reports that central provident funds registered zero real return in Singapore over the period 1987-97. He also referred to the work of Iglesias and Palacios (2000) on Sri Lanka to underscore

the poor performance of pension funds where an average return of 2% was recorded.

The dismal performance of provident funds in the region is even more worrying given that some countries such as Singapore operate an exceptionally high contribution rates. Starting with a rate of 10% in 1955, the contribution rate in Singapore rose to 50% in 1984, falling to 40% in 1994. When the financial crisis hit the region, Singapore lowered the rate to 30% in 1999 (Turner, 2002). A related problem facing the pension schemes in the region is the lack of compliance, as employers and employees alike devised several mechanisms of avoiding and/or evading contributions. Given the challenges facing the region, the countries devised a number of ways to reform their pension plans. One approach to the reforms has been the introduction of defined contribution scheme and another is the introduction of market-oriented approaches, such as the introduction of private organisations in the management of the schemes.

2.6 International Diversification Benefits

The positive effects of pension reforms on the economies of reforming countries can further be enhanced through international diversification. The logic behind international diversification can be expressed as follows. In any given country the shares listed on its stock exchange may vary from one sector to another, and these may exhibit different degrees of risk. An investor could reduce risk by investing in a wide array of shares of the given country.

However, many events having significant effect on the entire country will affect all stocks, regardless of the sector. For example, the advent of 9/11 affected all stocks in the US, regardless of the sectors to which they belonged. The idea behind international diversification is that by spreading investment across a range of countries, an investor could reduce the risk associated with major events such as 9/11 or Tsunami, since such events tend to have country-specific implications. Thus, international diversification will reduce the risk of a portfolio comprising assets drawn across many sectors of one countriy. Simply put, international diversification makes it possible for country-specific risk to be diversified away since negative events in that country could be offset by positive ones in other countries.

In a study on the beneficial effects of international diversification, Davis (2002) explains how a portfolio comprising assets from many countries could actually bring additional benefits by way of reduced risk for any given return, or increased return for a given risk exposure. The author cites the empirical works of Solnik (1988) and Meric and Meric (1989) which show that if investors are free to choose foreign assets they may obtain a better risk/return trade off than if they are restricted to assets of one country. Davis uses correlations data to stress the potential benefits that international investment could bring to the investor. He shows that amongst the G7 countries, correlations amongst stocks of the same country averaged 0.9, compared with inter-country correlations of 0.43. From the work of Markowitz (1952) we know that diversification benefits are potentially better the lower the levels of

correlations. Since inter-country correlations are lower than intra-country correlations, this is indicative of significant potentials international diversification to yield additional benefits beyond those derivable from investing locally.

Despite the considerable opportunities that theoretical and empirical works have shown to arise from international diversification, many a reforming country tends to impose quantitative limits on investment of pension funds abroad. On this issue, Berstein and Chumacero (2003) give additional insights into the potential costs associated with regulatory limits on investment of pension funds abroad. The authors draw on the experience of Chile, a country widely trumpeted as a pioneer in the reform of pension. Despite its pioneering role in the entire process of pension reforms in Latin America (nay, the world) Chile was noted to have imposed quantitative restrictions on investment of pension funds abroad, setting a cap of 30% of such funds that could be invested abroad. Researchers have wondered whether and to what extent such ceilings had placed a limit on the potential gains of international diversification.

Using a theoretical expositions, Berstein and Chumacero (2003) adopt a cautious approach at estimating those costs, concluding that had Chile placed no upper bounds on investment of pension funds abroad, the participants of its pension scheme would have reaped at least 10% higher returns. Although such predictions have shown conservative estimates of the costs of such restrictions, the authors cited an important caveat – in view of the problem of endogeneity, further research was required to arrive at more compelling conclusions about

the negative impact of such limits could have on pension participants. However, since their approach was a very conservative one, one would expect that their estimated costs could well have been the minimum amongst the class of estimates that may have been generated in Chile.

2.7 Nigerian Military Service Benefit

The Nigerian military service retirement benefits are almost a replica of the civil service schemes though slightly modified to suit the military situation. It is essentially a pay as you go model, which taxes the current workplace for the payment of existing retirees. It is also based on the principle of defined benefits pension scheme which shift the total burden of payment on the government. It is often paid from the recurrent revenue or sometimes from the account of some consolidated funds. This means there are no specific funds set aside or invested for the purpose of servicing the military retirement benefits. This is also called unfunded scheme in the literature of pension.

Two major instruments provide for the administration and management of the scheme namely, Nigerian army terms and conditions of service 1984, armed forces decree 103 of 1979. In addition to these, the office of head of service of the federation sometimes issues modification circulars that occasionally affect the armed forces retirement benefits management as the functions of government dictate. Other instructions of reference include treasury circulars, public service rules and the revised financial regulations.

Until 1974, the payment of military pensions and other benefits was done at the federal ministry of establishment. Thereafter, payment of military pension was delegated to military pensions assessment board due to large retirement that followed the end of the civil war. The board had a civilian chairman and most of the workers were civilians. In 1981, the board was completely taken over by military personnel with few civilian staff performing some accounting and administrative functions at the lower levels. During this period the gratuities of retired personnel were paid at directorate of military pension while their pensions were paid through treasury cash offices. There were other developments that complicated the funding position of the military pension. In particular, during the military regime Abacha, qualification was lowered for persons to benefit from pension and gratuity. For pension, the minimum length of service was reduced from 15 to 10 years, while for gratuity it was reduced from ten to five years only. To make matters worse, the minimum pension was upgraded to national minimum wage. What is more these changes were not supported with any financial backing.

There were about 290 TCOs responsible for the payment of pension up to may 1999. Payments were made from cash advances issued to the state accountants general for the TCOs under them. The payroll then was manual.

In June 1999, the payroll was computerized and the preparation of pay schedule was centralized at directorate of military pension in Lagos. However, payments were still carried out in the state through the TCOs Lagos based

military pensioners were paid through banks but the payroll preparation was done at directorate of military pension.

Successive reviews of pension entitlements by the last two military regimes as well as the authorized review by the civilian government attracted many pensioners who were uninterested earlier on to the pension directorate demanding for documentation and commencement of payment. This development triggered agitation for claims by other categories of retirees that besieged the directorate of military pension and defense headquarters. Consequently, the pension bill witnessed astronomical rise which itself weakens the ability of the directorate of military pensions budget to accommodate all claimants. These developments led to systematic and progressive increase in prolonged arrears of payments of due entitlements to retirees. The defense headquarters initiated series of retirees verification exercise culminating in the suspension of army dominated management of the DMP. That notwithstanding , military pension problems overwhelmed the interim management and a technical committee was set up for directorate of military pension reorganization and the consideration of new pension model that will reduce the bill against the government. A remilitarized structure was thus recommended with representatives of all the services, holding managerial appointments at the directorate.

2.7.1 Types of Benefits Paid By the Directorate of Military Pension

The following major highlights of benefits payable were given below:

1. Pensions to officers and other ranks of the three services i.e. army, navy and air force after putting in a minimum service of 10 years, and up to 35 years maximum for pension purposes.
2. pensions to servicemen for medical disability
3. Pensions to deceased servicemen through their legal representatives.
4. personal representatives
5. pensions to the dependents of deceased servicemen who were killed in the process of doing their job without their faults
6. On compulsory retirement after attaining the age of 45 years.
7. on compulsory retirement to facilitate efficiency in military service reorganization

Also the directorate of military pension pays gratuities under the following conditions:

a. To servicemen who withdrew from the service putting in minimum of 5 years continues service.
b. To an officer who is compulsorily removed after putting in a minimum of 3 years service but less than 10 years of service
c. To the next of kin or legal personnel representative of a deceased officer.

The pension payable ranges from 30% to 90% of total emoluments of retired servicemen or the highest emoluments earned by them during their service for 10 years to 35 years. However, the minimum pension is 30 % of

total emolument but not less than national minimum wage. Officers in the rank of major general above and their equivalent earn 100% total emoluments as pension for life.

Furthermore, gratuity is paid from 100% to 300% to total emoluments for those who serve for 10 to 35 years service as death benefits. For officers who are compulsorily retired after 3 years service the gratuity is prorated at 10% for each completed year.

1. The personal legal representative of next of kin or relation of a deceased serviceman, who has put in the qualifying service of 10 years or more at his demise, shall earn a gratuity and pension which should have been due to him if he has retired on the day of his death. The pension payable is 5 years bulk pension. It is also called death gratuity.
2. If a serviceman dies before completing qualifying service his survivor shall be paid a year's total emolument at the time of demise.

In the event that a serviceman is killed in the course of his duties and without his fault and on account of circumstance specifically attributable to the nature of his duty the legal personal representative a personal trustee or heir is paid a gratuity which the serviceman would have been entitled at the date of his death and in addition.

i. A person to his window (if he leaves a window) for life she remains unmarried and good character of an amount not exceeding one third of his pension if he were alive.

ii. A pension of one third each shall be paid to each child under 18 years, and for children shall be paid. The pension shall cease if the children marry before age 18.

iii. If the serviceman leaves an only child, the child shall receive two thirds of his father's accrued pension.

iv. If the serviceman leaves no window or no pension to be paid to the widow, the children shall receive the amount paid under (ii) above from the date of the widow's death until the children attain age 18 years

v. If the deceased servicemen does not leave a widow and the mother was wholly or mainly dependent on him for her support, the mother shall receive a pension which should have been received by his widow as long as the mother is of good character. The pension shall cease if the mother remarries or if she receive other support

vi. In the event that a serviceman has more than a widow a pension not exceeding the aggregate pension due to a widow shall be paid to the entire widows.

From the benefits highlighted and the contents of decree 103 of 1979, there is no age attainable for commencement of pension by military retirees. Secondly the 10 year qualifying service ceiling is too low compared with

the European minimum of 20 years service for qualifying pension's payments. These adversely affected the cumulative growth of pension bill.

2.8 Investment of pension assets

The overarching goal of all pension plans is to guarantee income security in old age. In order to meet this goal, both plan sponsors and participants need to pay attention to a number of elements in relation to the plan. One important element is the need for pension fund managers to allocate their investment resources in ways that will achieve higher returns and reduce volatility. For this to happen, the managers should have sufficient incentives to protect the interests of the plan. This can be achieved by ensuring that both the plan sponsor and the participants have a direct responsibility in the appointment of members of the board of trustees, whose responsibility is to ensure that management behaves in ways that are value-maximizing.

In some countries such as the United Kingdom with well-developed financial and capital markets, as well as with pension funds having significant influence on the capital market, careful attention is paid by fund managers to ensure that they do not expose the plan assets to unnecessary volatility. This point is underscored by the response of fund managers in the UK to a new accounting regulation, FRS 17, which requires that current conditions in the market should be the main factor for the determination of the value of pension assets and liabilities. The regulation also required that once the market conditions are used in determining the value, the resulting surplus or deficit

should be reflected in the company balance sheet. Do pension plans therefore weigh the implications of the new accounting regulations on the value and volatility of their assets? If so, what sort of adjustment do they make in their investment strategy?

In a recent study of firms in the UK and the USA, Amir et al (2006) examine whether the introduction of FRS 17 in the UK had stimulated a response from the UK pension firms that differed sharply from that of the US firms. They hypothesize that since FRS 17 in the UK required firms to value their assets and liabilities based on market conditions, this would introduce volatility into their balance sheets, and hence cause adjustment in investment strategy to reduce such volatility. Using a sample of 350 plans in the UK and a comparable number in the US, Amir et al reported two opposite findings – while in the UK firms were found to reduce the proportion of investment on equity and increase same on bonds, those in the US were found to have invested less in bonds and more in equity. The authors concluded that the more vulnerable companies were to FRS 17, the less they invested in equity.

Berstein and Chumacero (2003) show that in a number of ways, DC plans have some advantages over the unfunded ones. The advantages that defined contribution schemes have over their defined benefit counterparts are many. First, DB schemes tend to be run by the government while under the DC plans the private sector takes on the responsibility for their administration. A related point is that as the government controls administration of funds under the DB plans, it gives no room for competition to thrive, causing inefficiency in

the management of the schemes. In contrast, since private sector is charged with the responsibility of managing DC schemes, the involvement of many pension fund administrators will promote competition amongst them and that this will lead to efficient management of resources.

In the UK, personal pension plans (PPPs) are the main type of individual plan that operate there. They were introduced in 1988 by the Thatcher government under the Social Security Act 1986. Amongst other reasons for the enactment of the act was the need to "increase labour market flexibility by improving pension portability" (Blake, 2007: 2).

Blake (2007) shows evidence that DC plans in the UK suffered from design weaknesses. According to him, the key failures include: high administrative charges, inappropriate investment strategies, poor performance of active investment management, and poorly designed annuity and income drawdown programmes. The author further argues that

> Sales staff receive up-front commission from initial contributions into the plan and so have no financial interest in ensuring the plan's long-term suitability to their member. Investment managers take whatever net contributions are available and invest these the best that they can, but generally have no particular target fund level to achieve, and the annuity provider takes whatever fund size is available on the retirement date and offers the best annuity available on that particular day. Furthermore, no one on the provider side has any particular incentive to minimize costs to the plan member or to set and then meet any particular performance targets (p.28).

> There are not many economic activities in which the provider of a service extracts up to 50% of the value of the product in charges. But this is what happens with individual DC pensions in the UK. It is hard to argue that this represents good value for money and certainly institutional customers would not accept charges of this size. If something is not done to improve product design and to reduce costs, then the very concept of DC pension plans will fall into disrepute. If that happens, where else can workers turn for retirement income security, given the gradual demise globally of state pay-as-you-go pension plans and occupational final-salary plans? (p.29).

Blake (2007) gives an interesting account of how the very institutions created to promote the interests of contributors could actually undermine those interests in the pursuit of self-seeking interests. Blake attributes such tendencies in part to the lack of financial sophistication of many workers, opening room for abuse of the system. In a wave of scandals, some financial service providers in the pension industry lured over two million contributors to join a scheme that actually offered lower returns at higher risks as compared to the existing system with which they were more familiar. When the scandal came to light, Blake affirms, the financial service providers had to pay over £12.5billion in compensation to those who were misled, who were primarily low-wage workers. Given the magnitude of such scandal, Blake argues for the need to "control financial advice given when service providers have a conflict of interest" (p. 58).

From the experience of UK, Blake also points another way in which participants could lose out. According to him, even when a pension scheme is intended to provide healthy competition amongst providers, there are instances in which the market forces alone may not be sufficient to drive pension charges to competitive levels. As a result, the so-called free market could fail to reduce charges to tolerable levels. The UK government, recognizing this market failure, set a limit of 1% for annual fee chargeable by financial service providers in the pension industry. This effort has paid off, according to Blake since "providers of stakeholder pensions have greatly reduced the amount of "free" advice they provide to workers trying to decide whether to choose these accounts" (P. 59).

2.9 Critical challenges for reforms

It is important to stress that it is one thing to introduce sweeping reforms to a country's pension system, but quite another to ensure its success. This point is clearly borne out of the experience of several countries around the world that have taken the path of pension reforms. In this section, a review of literature of the commonly observed challenges is given, in the hope that this will not only motivate research on countries such as Nigeria that have just adopted reforms, but also inform policy since the experience of other countries could help draw the attention of policy makers on ways to overcome such common challenges.

2.9.1 Contribution Evasion

A key challenge towards successful implementation of defined contribution scheme is contribution evasion. Contribution evasion is the deliberate refusal of the employee and/or employer to follow the rules governing pension contributions. For the employer, a number of reasons can be cited for contribution evasion. One, in countries where corruption is endemic, it is easier to bribe the pension fund inspectors, than to comply with the rules. Two, where the legal system is weak, law enforcement could be quite problematic, with protracted delays especially for persons seeking legal redress. Third, capacity of the regulatory authorities might be weak. Sanda and Sabeh (2007) draw on the experience of East European countries, stressing that in some of those countries, pension inspectors were on average responsible for the monitoring of over a thousand companies, a responsibility that they could not effectively discharge, and one that offered the scope of employers to renege on their earlier commitments for pension contribution. Another factor aiding contribution evasion is inflation. Where inflation is high, interest rates tend to be high as well, making bank loans rather expensive. Thus high interest charges on loans may discourage employers to seek for funding from banks. Instead, such employers might decide to make use of contributions from employees and employers for their short-term financial needs, and in this way delay the remittance of such contributions to the appropriate pension authority. This aggravates contribution evasion.

The World Bank (2000) cites a number of causes of weak compliance. One high rates of contributions tend to hamper compliance. The Bank observes that in many countries contribution rates typically tend to constitute about a quarter of gross wages, but in some countries they are as high as 50%. The Bank notes that some pension systems tend to establish a weak link between contributions and pension benefits, and this has the tendency to weaken incentives for compliance and hence to aggravate the problem of evasion.

The problem with contribution evasion is that when it is widespread it hampers the generation of funds, reduces the number of people effectively covered and hence increases inequality in old age. Inequality is aggravated because in old age, contributing members will have retirement incomes to live on; those who evaded will have considerably lower sources of retirement income. Another significant effect of evasion is that it has adverse effects on the credibility of the entire pension system especially when such evasion is widespread.

Although both policy and research have recognised the problem that evasion engenders, the literature is as yet scanty on the costs of contribution evasion. A recent article drawing from the experience of the United Kingdom has emphasised the cost on the participants of delays in pension contribution. Blake et al (2006a) observed that many individuals delay making pension contributions until well into their working lives. The authors investigated the costs of this kind of evasion to the participants, employing a range of

pensionmetric simulations to gauge the magnitude of such costs. A striking conclusion they reached is that employees who delay contributions stand the risk of never catching up with early starters in terms of pension wealth, even if they decide to raise their contribution rates in order to cover the costs of their delays.

In order to alleviate the problem of evasion, Demarco and Rofman (1999a) suggest that issuance of ID cards will go a long way toward curbing it. They stress the importance of issuing pension identity cards to all residents, regardless of their employment status since unemployed persons could in the future gain employment and become eligible for participation in the country's pension system. Some countries have issued these ID by using the voting registration numbers to facilitate the issuance of pension ID cards. Demarco and Rofman (1999a) also suggest that in order to address contribution evasion, a central registry of member is critical. The registry should provide basic information on each worker and that this should be regularly updated.

As mentioned above, many schemes are plagued by poor compliance and weak, inefficient administration. Demarco and Rofman (1999b) have observed that some countries have tried to introduce an automatic incentive to increase compliance by developing mechanisms to ensure that pension benefits are more strictly related to individual contributions.

In order to ensure more compliance, it is important for policy maker to pay attention to contribution rates, for overly high contribution rates could dampen incentives for compliance. Demarco and Rofman (1999b) observe that

in many reform countries, contribution rates often constitute about a quarter of gross wages, and that when other charges are included, they could be as high as 50%. In such situations, the obvious result has been reduced compliance. According to Demarco and Rofman (1999) overly high contribution rates could result in reduced levels of cooperation from employees and employers. Since even the best pension systems could falter in the absence of cooperation of employees and employers, the implications of high contribution rates are therefore obvious. High rates are not only a concern because of their effects on compliance. They may also reduce incentives for employers to hire labour and individuals' incentives to work. They will also increase the incentive to evade contributions by working in the informal sector.

It is important to note that a defined-benefit scheme is not necessarily non-contributory. To the contrary, some countries have operated pension schemes in which employees and employers are made to contribute into a scheme that is essentially a defined benefit plan Demarco and Rofman (1999b). The most distinguishing feature of a defined contribution system is that it is based on a system of individual accounts and in many countries this is accompanied with private management. Some countries such as Singapore have a defined contribution system but with the government playing an important role in the management of the pension wealth.

The literature has provided an important measure of compliance by measuring the proportion of eligible participants that are covered by the pension scheme. Mesa-Lago (2002) gives some measures of compliance.

According to him, Latin American countries can be categorised into three, depending on the structure of their pension plans. In one group are those that embraced the DC plans, replacing the existing PAYG system. In the second are countries that have introduced a DC, coexisting side by side with the old system. The two are allowed to compete and workers given the chance to choose from the two systems. In the third group of countries are those that retained the old system for the purpose of providing basic state pension, but adding a second pillar, a DC scheme, to improve benefits as this pillar is privately managed and based on individual accounts. Mesa-Lago compared the three group of countries in terms of their ability to extend coverage and reduce evasion. He noted that for the six countries that adopted a DC scheme, coverage rates have varied from 21% in El Salvador to 60% in Chile. By contrast, countries that allowed the two systems to compete, registered a coverage rate of 11% in Peru and 24% in Colombia. Finally, those who introduced a DC as a second pillar to complement the existing system recorded a coverage rate of 22% in Argentina, 53% in Costa Rica and 60% in Uruguay.

2.9.2 Challenges of Plan Design

The experience of countries with contributory pension scheme has suggested that apart from the foregoing discussion on contribution evasion, consideration should be given to design elements of a DC in order to ensure successful implementation. DC with poor design elements could ensure failure, according to a recent article by Blake (2007). The design weaknesses

of the DC system in the UK are summed by Blake, who observes that "there is little evidence that DC pension plans in the UK have been well-designed" (p.28). Blake goes further to identify the sources of and the effects of such design weaknesses. One, high charges and lapse rates are amongst the chief manifestations of such weaknesses. Second, managers often adopt inappropriate investment strategies the result of which is reflected in poor investment performance. Third, poor design of annuity and income drawdawn programmes have weakened the efficiency of the scheme. What is more, pension management staff tend to receive their commission upfront and so have no financial incentive to ensure the long-term sustainability of the scheme. Further, annuity provider looks at the prevailing circumstances on the retirement date in deciding what annuity to offer to a retiree. To make matters worse, pension fund managers have no incentive to minimize costs to the plan member or to set and meet any particular targets.

Blake (2005) identifies other factors that tend to impose significant risks on the participant. Apart from the annuity problem alluded to in the preceding paragraph, a DC scheme tends to place other elements of risk on the participant. A person's contribution to a DC will be affected adversely by stints of unemployment or ill-health. It therefore means that unemployment and ill-health tend to reduce the capacity of a participant to contribute, meaning that at the point of retirement, the person's pension wealth and hence annuity will be adversely affected. Moreover, during the accumulation phase, the risk of investment is borne fully by the DC participant, unlike the DB where the

risk is borne by the employer. However not all of the risks associated with a DC scheme are borne entirely by the plan participant. In some countries such as the UK, projected life expectancy projected by government actuaries is generally lower than actual life expectancy. Annuities computed based on shorter life expectancies could result in longevity risk for the fund manager.

It is important to stress the observation in the literature that accounting rules when properly employed could reduce the risk that DB plans pose to the employees. Until the advent of FRS 17, and later, IAS 19, employers were not required to indicate in their balance sheets the extent of their pension deficits. The coming into effect of the couple of accounting rules mentioned above was prompted by several high-profile scandals that wiped away pension funds of employees, some of whom had worked for over four decades. The case of the Daily Mirror in the early 1990s is a case in point.

The design features of the UK contributory pension scheme are indeed posing a serious challenge for policy. Blake makes a scathing criticism of the system, arguing that:

> There are not many economic activities in which the provider of a service extracts up to 50% of the value of the product in charges. But this is what happens with individual DC pensions in the UK. It is hard to argue that this represents good value for money and certainly institutional customers would not accept charges of this size. If something is not done to improve product design and to reduce costs, then the very concept of DC pension plans will fall into disrepute. If that happens, where else can workers turn for retirement income security, given the gradual demise globally of state pay-as-you-go pension plans and occupational final-salary plans? (p.29).

There are other policy challenges that many countries have faced in the course of implementation of their pension schemes. According to the World Bank (2000), an important policy issue that many countries have grappled with

is whether to mandate employers to remit contributions directly to pension funds, or whether to do so through a central collection agency. In the United Kingdom, for example, the tax agency collects social security contributions from employers and then transfers such contributions to pension funds. Other countries such as Chile require employers to transfer contributions directly to the pension funds. According to the World Bank each of these has its own merits and demerits. While employers are more likely to facilitate transfer to a central clearing agency, some countries have encountered problems of delays in transfers from the agency to individual account holders. The World Bank notes that delays could be injurious especially when inflation is rife. Moreover, delays in transfers to individual accounts could not only lead to loss of pension wealth especially in periods of inflation, but also loss of returns that could have accrued to the participants had the transfers been effected in record time.

Demarco and Rofman (1999b) compare the two types of contribution collection systems, pointing out some essential differences and similarities. One, while a centralised collection system is associated with inefficiency owing to delays in remittal of funds to individual accounts, the decentralised system tends to employ up-to-date technology and transfers to individual accounts are almost instantaneous. However, the authors observe that a decentralised system has at least one advantage over a decentralised system – its enforcement power is absolute, while a decentralised collection system does not have any significant enforcement power.

The World Bank affirms that in deciding which of the two means of transfers should be adopted, a country should weigh the costs against the potential benefits of each of the options. Certain countries have adopted the use of information technology. Moreover, from the analysis of the issues by the World Bank (2000), further insights have been given on some of the innovative ways in which such delays have been handled. An effective use of information technology is one such device. Issuance of identification numbers to all participants coupled with the application of information technology could facilitate transfers. Some countries have evolved other novel approaches toward addressing the problem. For example, Kosovo's electronic transfer of pension funds (Gubbels et al, 2007) has been acclaimed as an innovative utilisation of information technology to facilitate the development of a new, contributory pension system.

There are design issues that should not be missed. It is often wrongly thought that because of the problems associated with PAYG scheme, pension reform should be accompanied with replacement of the PAYG system by the defined contribution scheme. While some Latin American countries (Chile, Bolivia, Mexico, El-Salvado, Nicaragua and Dominican Republic) chose to abandon the old scheme in preference for the DC plans, other countries of the region (Peru, Columbia, Agrentina, Costa Rica and Uruguay) decided to have a multi-pillar system by combining the PAYG schemes with a defined-contribution plan, the former intended to provide basic pension, and the latter to enhance private sector participation and management for better delivery

(Mesa-Lago, 2002). According to Demarco and Rofman (1999a), "for theoretic and practical reasons, as well, the most accepted alternatives include a flexible combination of private and public pensions" (p. 5).

2.9.3 Corporate Governance Issues

The issue of corporate governance is one that has attracted attention owing to its significant implications for policy and research. The literature is replete with cases of corporate malfeasance, manifested in the tendency for management of corporations to pursue their own interests to the detriment of actual owners or important stakeholders. In the context of pension management, certain country experiences have recounted how pension fund managers pursue their own interests in flagrant violation of the principal objective of pension – ensuring adequate and reliable means of livelihood in old age. Blake (2000) presents an analysis of outstanding problems bedevilling the UK defined contribution schemes. According to Blake, the agency problem mentioned above (the tendency for managers to pursue interests that hurt the owners) is rife. One important manifestation of this tendency, according to him, are instances in which the managers of pension funds hide some of the charges they make against pension assets. Blake pursues this argument that sees no reason other than selfish interests for managers of pension funds to continue to adopt active investment strategy that raises turnover and commissions, when it is known that over 99% of returns from investment can be obtained through passive strategy (p.238).

A second feature of poor governance is the tendency for managers to keep on trading in securities in order to increase their turnover and hence charge additional commissions. It is no wonder therefore that many fund managers are known to adopt active investment strategies, even though the literature and empirical evidence have shown that this strategy produces no better performance compared to the passive strategy of buy and hold. Blake also shows that the nature of pension industry is such that some managers are related to managers of other related organisations, with which they maintain business relationships. Where the manager is trading with a relation of his, it is hard to believe that such kinds of transactions can be conducted in transparent manner and in the interests of the plan participants.

Blake (2000) goes further to explain how the UK defined-contribution scheme has been weakened by other forms of poor governance practices especially by annuity providers. He notes that "annuity providers add loadings of between 10 and 14 per cent to cover their costs and risks" (p. 240).

2.9.4 Consensus or fiat?

Another issue that often comes to the fore in pension reforms is whether reforms should be pushed through consensus building, or whether government's administrative fiat should be adopted. At first sight, the answer to this question is obvious – any reform, and for that matter painful ones – must be approached through public support and consensus in order for them to have a lasting and binding effect. However, according to Casey (2004) pension

reforms, even painful ones that involve cuts in benefits, have often been adopted by countries such as Germany through administrative fiat. According to the author, administrative fiat could often generate consensus, giving the example from the United States where consensus to an administrative fiat was obtained through giving the public adequate notice on a proposed reform. In particular, according to the author, "when the American government decided to raise the 'normal' retirement age from 65 to 67, it phased the change so that it did not start until 20 years later and would not be completed until 2027" (p.7).

The author also showed that consensus could sometimes be obtained by hiding changes. For example, if a proposed change is given in a detailed technical submission, the implications of the proposal may not be easily understood, and so approval could be obtained to an otherwise unpalatable plan.

Needless to say the above represent some of the author's account of what some countries did in their efforts to push through pension reforms. While not endorsing such approaches, Casey goes further to recommend a set of measures that countries should take note of in order to register success in their onerous efforts to push pension reforms. The recommendations can be summarized into four points. One, transparency is key to success of pension reforms; a transparent system has the capacity to win and sustain the confidence of the people. Two, for reforms to succeed, communication system should make it possible for the public to be aware of the issues, in clear and simple terms, without ambiguity. Three, promotion of consensus in respect of

all issues affecting pension policies is critical. Finally, the monitoring and evaluation of pension reforms should be based on a sound methodology, for weak methods of monitoring and evaluation could jeopardize the success of the scheme.

2.10 Structure, Design and Governance Mechanism

In an earlier section in this chapter, a number of countries were noted to have introduced significant reforms of their pension systems, most of them moving from the defined benefit publicly managed schemes to a defined contribution, privately managed systems based on individual accounts. It is tempting to lump such countries into a set of reform countries although they do vary considerably in the extent of their reforms, successes recorded, and lessons learnt. In addition to occasional reference to country experiences given in the preceding sections, it is perhaps in order to consider in more detail certain country experiences, paying particular attention not only to their design structures, extent of private sector involvement, replacement ratios and levels of coverage, but also the different challenges the systems encountered in the course of their implementation. Seven countries are therefore considered in this section. Although not by any means exhaustive, the five countries are chosen to reflect the diverse nature of the reform processes, as some countries such as Chile adopted a radical departure, while others such as Kosovo retained the old system but added a privately managed system as a second pillar.

A closely related governance issue is the need to determine the structure of the regulatory agency. Demarco and Rofman (1999a) note that although there are no universally accepted methods of regulation, there are typically two types of pension regulatory agencies. Some countries assign the responsibility of such regulation to a section of the country's central bank. However, they note that this method has an important drawback in that competition for funds by other departments could make the regulation tasks difficult to undertake. The authors also noted other countries such as Chile have developed a new regulatory agency, independent of existing structures. An effective regulatory environment should make it possible for complaints to be heard and where necessary investigated. The regulatory agency has an obligation to entertain complaints from the participants about any section of the pension industry, be it concerning the employer, the pension fund administrators, or indeed a department or unit of the regulatory agency itself. Demarco and Rofman (1999a) however, note that different countries have adopted different governance mechanisms for addressing complaints from the public. While the need for hearing all complaints is critical, the agency is expected to tread carefully on this matter. For example, it should not in the course of its complaints hearing duties, turn itself into a jury on cases that require deeper investigations. The authors noted that some countries have adopted innovative governance mechanisms for hearing complaints. In the case of Argentina, certain complaints are decentralised for hearing by the pension fund

administrators, presumably cases that do not involve complaints against the administrators themselves.

2.11 Pension reforms in Bolivia

Bolivia's pension reforms started in November 1996 when the authorities passed Law 1732 that modified in a significant way the country's pension system. With the introduction of the reforms, the country's defined-benefit, publicly managed system gave way to privately managed contributory scheme based on individual accounts (Gersdorff, 1997).

A look at some of the features of the country's previous defined-benefit scheme could provide some insight into why the system was replaced with a defined contribution scheme. The country's defined benefit scheme could be described by referring to a number of its features, such as contribution and coverage rates as well as its financial situations. Under the old scheme, Bolivian workers, who participated in the country's basic pension scheme, were required to contribute 2.5% of their basic salary to FOPEBA, the agency responsible for the administration of the scheme. The employers were required to contribute 4.5%, and the government 1.5%. In addition to this basic pension plan, there were other complementary pension funds and employee contributions averaged 6.3%, but varied within the range of 3.5% to 12% (Gersdorff, 1997). According to Gersdorff, although it was contributory, the old defined-benefit pension system that Bolivia operated was riddled with gnawing problems. One, dependency ratio was high, as retirees constituted

40% of the workforce, although for the general population, the elderly people accounted for only 6%.

Two, the burgeoning informal sector, which accounted for 60% of labour force, meant that coverage ratio was inevitably low, as workers in these sectors were uncovered. Three, Bolivia had a history of inflationary spiral, which adversely eroded pension benefits, a factor that contributed to reluctance of many Bolivians to join the scheme. Finally, the old pension system that Bolivia operated was financially unviable. According to Gersdorff (1997), regular transfers from the Treasury to FOPEBA amounted to 1% of GDP between 1993 and 1996. In fact, projections showed that by 2002, FOPEBA would have recorded a deficit of over $400million, equivalent to 40% of GDP (Gersdorff, 1997: 3).

In view of the above problems, Bolivia mustered the political will to reform the system, introducing a contributory pension system of individual accounts based on private management. The scheme stipulated a contribution rate of 12.5% and that 10% goes into the individual accounts, 2% for an insurance premium covering physical impairment and 0.5% for AFPs' services.

A distinguishing feature of Bolivia's new pension system is its style of management of pension funds. According to Gersdorff (1997), in order to avoid incurring high marketing costs that some of Bolivia's Latin American neighbours had encountered during the process of pension reforms, Bolivian authorities authorised only 2 management companies to handle the

management of pension funds. The two pension fund administrators were selected based on an international bidding process for the lowest service fee.

2.12 Pension Reforms and the Issue of Gender Bias

The aim of this section is to expose the extent to which demographic issues have been tackled in the United Kingdom pension reforms. Even though, investigation into the effects of socio-demographic conditions on pension has been little studied for example, amongst the first few studies is a publication by the Department of Social Work (2006). According to the study, there is a recognition in the United Kingdom and mainland Europe that married women on average receive less in pensions than their husbands. A recent report from the UK suggests that such discrepancies have tended to widen over time, with single women receiving an average pensioner income of £196 per week, compared to the average of £244 for men (DWP, 2006). The report also notes that although these gender-based discrepancies are rife, there are two points that offer further food for thought. First, the disparity between married couples is by far wider than the figures of discrepancy given above for single men and single women. According to the report, amongst pensioner couples, women receive an average income of £138 per week, compared to an average of £327 for men.

Second, amongst the singles, disparities are glaring only with respect to pension – in terms of income, single women earn about the same income as single men! In seeking to provide explanation on this tendency for pension

patterns to show significant gender bias even in the face of gender equality of incomes, the report alludes to the labour market situation as the main explanatory factor. According to the report, women are more likely to have interrupted careers and generally have lower pay during their working life, leading them to save comparatively less than men for the purpose of retirement.

The novelty of UK pension reforms is that they set out explicitly to address these gender-based disparities. The report notes that "the state of pension reforms will narrow the gender pensions gap and remove discrimination for carers in the pension system. The reforms are based on a modernized contributory principle; a life of unpaid caring responsibilities will be rewarded in retirement in the same way as a life of work. Career breaks will no longer necessarily have a negative effect on pension entitlement" (DWP: 25).

The above illustration of how the UK pension reforms have confronted a major policy issue – gender inequality – could easily be used to challenge other countries such as Nigeria whose pension reforms are a far cry from addressing these gender inequalities. While no one would on his right senses advocate for continuation of gender-based inequalities, the extent to which countries could address them depends on their level of development. Even the report from the United Kingdom has made explicit recognition of five key factors that should be borne in mind in any efforts to reform the pension system: personal responsibility, fairness, simplicity, affordability and sustainability. Thus, no matter what level of seriousness a pension issue could be, the policy maker

should be wary about whether reforms intended to address such issues will not create a pension liability that would be difficult to fund, much less to sustain. Thus, affordability and sustainability could account greatly for why countries such as the UK could introduce reforms addressing gender and related issues, while countries such as Nigeria could not.

Another study examining the impact of demographic and social characteristics is the work of Black et al (2006b). The authors constructed a simulation model to examine whether occupation and gender are having significant effect on pension benefits. Their study came out with a couple of observations. First, workers (such as women and unskilled workers) who reach their peak salary at an early age tend to benefit more from DC plans, compared to those who achieve the peak in salary over an extended period of time. For a DB plan, however, the opposite finding was reported – women and unskilled workers who reach their peak at an early age tend to benefit less from a DB plan than men and professional workers. This finding is not surprising since a DB plan uses the terminal, not starting, salary to compute the benefits a pensioner is entitled to.

Based on these findings, the authors draw an important conclusion about the varying implications of a switch from a DB to a DC scheme. A switch from DB to DC has the tendency to transfer resources from male and professional workers to women and unskilled workers.

Amongst a few other studies that have examined the effects of demographic and social characteristics on pension is a study by Byrne and

Rhodes (2005). The main concern of the authors was to examine the attitude of employees to pension, taking account of their demographic and social characteristics. Two major findings were reported. First, employees displayed low levels of knowledge about pensions in general and financial matters affecting pensions in particular. Second, although they reported that it would be costly for employers to arrange training to improve their employees' knowledge of pension and related matters, the investment in this kind of endeavour is well worth it. Finally, they reported that during the focus group discussions they had with their respondents, there was widespread desire amongst the participants for a face-to-face discussion with employees in order to educate them more on pension matters. They conclude that given the thirst for knowledge about pension amongst employees, and the potential benefits of additional training, employers should consider making what necessary investment is required to create and sustain awareness on pension issues amongst employees. In that way, they argue, the problems of contribution evasions experienced in some countries pursuing reforms could be kept at bay.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction:

This chapter provides a description of the procedure for the conduct of this study. The rest of the chapter is divided into three parts, with the second section providing information about the research instruments as well as data-collection procedure. In section three, an outline is provided on the method of descriptive analysis, while section four gives detailed description of the method of inferential analysis.

3.2 Sources of Data

Data are based primarily on facts, ideas and figures, some of the data were collected from repository accounts and records, published opinion from dailies and journals. Furthermore, interviews were conducted with military personnel, both retired and serving.

3.3 Method of Data Collection

The technique for data collection was based on both probability and non-probability sampling techniques since it required going to all the major military formations. Direct administration of questionnaire was necessary so as to reduce the issue of non response. Electronic media such as internet was used to collect secondary data.

3.4 Instruments Used For Data Collection

In addition to the questionnaire and interview experiment and schedule were employed due to the nature of the target population.

3.5 Population and Sampling Technique

The population of the study is the Nigerian military personnel. These include the Nigerian army constituting about 70 percent of the entire military, the Nigerian Navy and the Nigerian Air force.

The research used the stratified sampling technique method. The strata follow the army formation. The research concentrated on the Nigerian army as is the largest military formation. We therefore, used 70 percent of the question for the Nigerian army, while 30 percent was used for the other services (see table 3.1 below).

Table 3.1: Distribution of Respondents Base on Service Formation

		Army		Air force		Navy		
s/n	Nature of service	officers	Other ranks	Officers	Other ranks	officers	Other ranks	Total
1	Retirees	38	189	8	31	22	22	310
2	Serving	12	13	3	9	5	8	50
	Total	50	202	11	40	27	30	360

Source: Field Survey 2002

The Nigerian army on which we serve the 70 percent of the questionnaire is design in such a way that there are 5 formation areas of

responsibility. Each of the responsibility areas receive equal number of questionnaires.

3.6 Questionnaire and Data-Collection Procedure

A structured questionnaire was developed, consisting a total of fifty questions. The questionnaire is annexed in Appendix 2. As can be seen in that appendix, the fifty questions were grouped into four (4) sections/categories. In the first category are questions on demographic and other characteristics of the respondents. The demographic characteristics cover such variables as gender, marital status, present and intended post-retirement occupation, age at the point of retirement and area of specialization. Other questions related to the demographic characteristics include years of military service, and year of retirement or disengagement.

The second category of questions relate to pension issues having direct bearing on the welfare of the respondents. They include those questions related to regularity of pension payment, and where pension payment is delayed, the reasons for such delays.

In the third category of questions are those related to military service experience. This category of questions is relevant since a good number of current military pensioners have experience of involvement in the country's last civil war that lasted thirty months. Obviously the costs of the war was huge, both in humanitarian and financial terms. Thus, questions were included to determine the frequency of people that sustained injuries during the war, and

to ascertain the gravity of those injuries. Such questions are important for their answers would point towards the extent of the personal sacrifice that the military personnel made. Not only that, they also help to provide the extent to which the nation as a whole owes such retirees, and hence the need for measures to improve their welfare through a functional pension system.

The other category into which some of the questions fell is on pension reforms. This category of questions was asked in view of the fact that the pension system in general and that of the military in particular was facing many problems. What is more, many developing countries, with the notable lead provided by Chile have undergone sweeping pension reforms. As a result, a set of questions was included to gauge the level of support a possible reform of the pension system might get not only from current but also future generations of retirees in the country.

After developing the questionnaire, the draft was pilot-tested on a sample of retirees. The pilot test was intended to obtain suggestions from the respondents for possible improvements. With the input received from the test, a revised questionnaire was obtained. As a result, the instrument was distributed to a total of 500 respondents. Of this total, 440 respondents returned the questionnaires. However, only a total of 360 of the questionnaires were found to be in usable form for further statistical analysis. However, a note of caution is in order – very few questionnaires provided information on all the fifty questions, so the computer printout of the results (annexed in Appendix 3) shows totals below the sample size of 360. Despite this weakness,

it is important to stress the possible reason for the fairly large response to the questionnaire. A number of research assistants were trained on how to administer the questionnaire, especially in view of the fact that some of the retirees could have found it difficult to fill up the questionnaire on their own.

3.7 Method of Descriptive Analysis

The Statistical Package for the Social Sciences (SPSS) was used for the analysis of data. After the data was entered into the statistical package, a number of steps were undertaken to code the variables in order to allow for further descriptive and inferential analysis. In order to facilitate the coding process, a set of programming commands, or syntax, was developed and annexed in Appendix 2. When applied to the dataset, the syntax made it possible to obtain necessary measures of central tendency.

The use of frequencies was an important tool employed at the level of descriptive analysis. The results obtained from the descriptive analysis are annexed in Appendix 3.

3.8 Method of Inferential Analysis

Two types of analysis were used for inferential purposes. The purpose of statistical inference is to allow for drawing of conclusion about the generality of population, based on information contained in a sample. In order to enable statistical tests, the one-way analysis of variance (or one-way ANOVA, in short) was be employed. For any test in the one-way ANOVA, the F-statistic

will be used to determine whether or not the null hypothesis would be rejected. The one-way ANOVA was therefore be used to test the following hypotheses:

1. There is no significant relationship between pensioners' welfare and regularity of payment
2. There is no significant relationship between welfare and type of service contract.
3. There is no significant relationship between welfare and modality of record keeping.
4. There is no significant relationship between welfare and conformity with accounting standards requirement for audit and disclosure.
5. There is no significant relationship between retirees' welfare and their age categories.
6. There is no significant relationship between welfare and years of military service.
7. There is no significant relationship between welfare and proposed method of payment.
8. There is no significant relationship between welfare and willingness to participate in a contributory pension scheme.

The second method of analysis intended to lead to statistical inference is regression analysis. The regression analysis was therefore used to test the following hypotheses:

9. There is no significant relationship between welfare and managerial effectiveness of pension scheme
10. There is no significant relationship between pensioners' welfare and operational efficiency of pension scheme.
11. There is no significant relationship between pensioners' welfare and inadequacy of funding of the pension scheme.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the results of this study. The rest of the chapter is divided into sections. In section two, we present the descriptive results, giving frequencies for each of the fifty questions in the questionnaire. In section three, we present the results on tests of hypotheses, drawing major conclusions from the tests.

4.2 Descriptive Results

This section presents the results obtained from frequency distributions. The computer printouts of the results are annexed in Appendix 3. Table 4.1 provides a summary of the response patterns to the question requiring respondents to indicate their present occupation. From the table, it can be seen that majority of the pensioners, totaling 201 (or 60.4%) were involved in private business. This compares with a total of 62 (or 18.6%) that were engaged in farming. It can also be seen from the table that 31 of the respondents (or 9.3%) were traders, compared to a total of 10 that were involved in industrial activities. Only 10 of the respondents were unemployed at the time of the administration of the questionnaire. A small number of the respondents, totaling 7 in all were handicapped, five of them were jobless and two were employed. Twelve of the respondents did not specify their occupation.

The respondents were requested to indicate their sex. The results are shown in the Appendix 3. From the appendix, it is clear that majority of them (287 or 83.4%) were male, compared to a total of 57 (or 16.6%) females. Clearly, male respondents were in a disproportionate majority, a fact that can be attributed to the nature of the sex distribution of military personnel in general in Nigeria.

Table 4.1: Present Occupation

Category of Response	Frequency	Percent
Farming	62	18.6
Trading	31	9.3
Jobless & Handicapped	5	1.5
Employed & Handicapped	2	0.6
Industrialist	10	3.0
Private business	201	60.4
Unemployed	10	3.0
Others	12	3.6
Non response	27	-
Total	360	100

Source: Field Survey 2002

The respondents were further asked to indicate their marital status. The response patterns to this question are detailed in the Appendix but summarized in Table 4.2.

Table 4.2: Marital Status

Category of Response	Frequency	Percent
Single	71	20.2
Married	249	76.1
Divorced	4	1.1
Separated	4	1.1
Widowed	5	1.5
Non response	9	
Total	360	100

Source: Field Survey 2002

From the table, a number of observations can be made. First, an overwhelming number of the respondents were married, with this category totaling 249 (or 75.0%) of a total of 333 that responded to the question. The table also reveals that a total of 71 of the respondents (representing 21.3%) were single. The remaining 13 responded being divorced (4), separated (4) or widowed (5).

The age of respondents at retirement was also obtained from the administration of the questionnaire. Appendix 3 provides the detailed pattern of responses. It is of interest to observe that from a total of 313 that responded to the question, a total of 284 of them (or 90.7%) retired before the age of 60. Only 8.6% of the respondents actually retired when they were between the age of 60 and 70. A very small number of the respondents (2 of them) retired after the age of 70. The questionnaire went further to request the respondents to indicate their age at the time of the administration of the questionnaire. The pattern of responses to this question is similar to that obtained in the previous question on their age at retirement. Table 4.3 summarizes the distribution of responses to the question requiring them to indicate their age.

Table 4.3: Age of respondents

Category of Response	Frequency	Percent
Below 60 years	294	88.3
61-70 years	28	8.4
Over 70 years	11	3.3
Non response	27	
Total	360	100

Source: Field Survey 2002

From the results in Table 4.3, we can see that out of the 333 respondents that provided information on age, a majority of the them (294 or 88.3%) were

aged below 60. In contrast, a total of 28 of them were aged between 60 and 70. This compares with a total of 11 aged above 70.

The respondents were further classified by their area of specialization. The results are given in table 4.4. The pattern of responses from Table 4.4 are detailed in the computer print out in the appendix. Suffice it to say from Table 4.4 that the modal frequency is admin and management, an area of specialization for which a total of 333 reported being involved. It is also of interest to see from Table 4.4 that about 20.1% of the 333 that responded to the question reported specializing in general duties when they were in the military service. The table also reveals that 51 of the respondents (representing 15% of them) specialized in clerical duties, compared to a total of 33 that specialized in professional or consulting services.

Table 4.4: Area of specialization

Category of Response	Frequency	Percent
General Duties	68	20.1
Military and related skills	32	9.4
Admin and management	133	41.0
Clerical duties	51	15.0
Building and construction	10	2.9
Profession/consulting services	33	9.7
Manufacturing	5	1.5
Others	1	0.3
Non response	21	
Total	360	100

Source: Field Survey 2002

We also examined the distribution of the respondents by duration of their military service. The results are given in the appendix, but summarized in Table 4.5.

Table 4.5: Years in military service

Category of Response	Frequency	Percent
Below 10 years	45	13.2
10-20 years	148	43.5
21-30 years	70	22.4
31-35 years	64	18.38
Above 35 years	7	2.1
Non response	20	
Total	360	100

Source: Field Survey 2002

Although the detailed results are annexed in Appendix 3, a summary is given in Table 4.5. From the table, a number of points emerge. First, a significant proportion of the respondents (43.5%) served the military for between 10-20 years. Next in importance, were those with 21-30-year experience of military service. This category of respondents were 70 in number, representing 22.4%. It can also be seen from the table that 64 of the respondents fell in the 31-35 years of military service. Only 7 of the respondents (or 2.1%) had served the military for more than 35 years. A further examination of the data provided additional information on the date of exit from the military. The detailed results are in the Appendix, so a summary, in words, is given at this point. The results revealed that only 3 of respondents had retirement experience dating back to pre-independence period. However, 20 of the respondents retired during the 1970-80 period, compared to a total of 36 that retired during the 1981-90 period. We also found out that 50 of the respondents actually retired during the 1991-2000 period, compared to an overwhelming number of 171 that retired between 2001 and 2004.

Since the success of any pension scheme hinges on the regularity of pension payments, a question was included in the questionnaire giving the respondents an opportunity to indicate what they felt about the frequency and regularity of pension payments. From the results given in the appendix, it is evident that out of the 270 that responded to the question, only 12.2% of them indicated that their pension payments were made regularly. In contrast, the remaining 237 (or 87.8%) indicated that such payments were not regular. Given the widespread indication of irregular payments of pension, the respondents were asked to indicate the monthly intervals over which pension payments are made. Table 4.6 provides a summary of their responses:

Table 4.6: Monthly intervals for pension payments

Category of Response	Frequency	Percent
1-2 months	8	3.0
3-4 months	97	35.9
5-6 months	63	23.3
7-8 months	9	3.3
9-10 months	6	2.2
11-12 months	4	1.5
	83	
Category of Response	Frequency	Percent
Disability	16	5.6
Dismissal from service	8	2.8
Voluntary	200	69.7
Compulsory	34	11.8
Demobilization	23	8.0
Not entitled to pension	3	1.0
Desertion	3	1.0
Non response	73	
Total	360	100

Source: Field Survey 2002

From the results in Table 4.7, it is evident that the vast majority of the respondents (200 04 60.0%) went into retirement on voluntary basis. In

contrast, a total of 34 (or 10.4%) of the respondents went into compulsory retirement. It is also clear from the table that 23 (or 8.0%) of the respondents were demobilized from the service.

Given the difficulties pensioners were experiencing (through delays and irregular payments of pension) it was of interest to examine further how many of them had fought the civil war and therefore sacrificed their lives for the unity of the country. The appendix contains the detailed results of responses to this question, and it is clear that about half of the retirees (49.5%) of them had fought the 30-month civil war. The remaining half that did not fight the war were either engaged as non-combatants, or had joined the military after the civil war.

For those who fought civil war, a question was further asked on whether or not they had sustained any injury as a result of their involvement in it. About a quarter of them indicated having sustained injuries while three quarters reported no injuries. This response pattern, however, should not be construed to mean that the level of injury was small in comparison to non-injury.

We also examined the extent to which the injured considered the gravity of the injury they sustained during the civil war. From the results in Table 4.8, excluding the non response we see that a number of salient features emerge. First, 15.1% of the respondents considered as very serious the injury they sustained during the war. Similarly, 20.9% of the respondents assessed the injury as serious, a proportion that compares favourably with 29.1% that

considered it as not serious at all. Only 17.4% of them assessed their injury as minor.

Table 4.8: Gravity of Injury

Category of Response	Frequency	Percent
Very serious	13	04.0
Serious	18	05.4
Not very serious	15	04.5
Not serious at all	25	07.6
Minor	15	04.5
Non response	274	
Total	360	100

Source: Field Survey 2002

The military service has made provisions for the injured to be cared for, not only through regular pension payments, but also through the payment of benefits in compensation for injuries sustained during the war. Given the above distribution of the frequency and gravity of injury, it is pertinent to examine the extent to which the military has actually given such compensation to the injured. Table 4.9 is a summary of the results.

Table 4.9: Disability Allowance Approved

Category of Response	Frequency	Percent
Below 20%	37	49.3
21-40%	18	24.0
41-60%	11	14.7
61-70%	6	8.0
Above 70%	3	4.0
Non response	285	
Total	360	100

Source: Field Survey 2002

From the results, about half of the respondents (49.3%) received approval for less than 20% of disability allowance. The remaining half were distributed as follows; 24% had approvals for 21-40%; 14.7% had approvals

for 41-60%; 8% had got approvals for 61-70%; and only 4% had received approvals for more than 70%.

The reasons why people retire from military services have been shown to vary from one person to another, raising the question of whether or not retirement is indeed planned. This question was included into the questionnaire and the pattern of responses is detailed in the appendix. From the appendix, it is clear that 79.4% of the respondents indicated that most retirements were indeed unplanned. In contrast, only 20.6% of the respondents thought that retirements were planned. The next question sought to find out why most retirement in the military could be regarded as unplanned. Table 4.10 gives a summary of the results:

From the results given in Table 4.10, it is evident that nearly half of the respondents (43.7%) considered a number of factors explaining the tendency for retirement to be unplanned in the military. Given that the retirement system is by and large unplanned, a question was asked whether the retirees themselves have acquired any training and/or skill that could earn then income outside the military service. It was found that 62.8% of the respondents had acquired additional skills that would enable them earn income outside the military service. Only 37.2% indicated acquiring no skill that could be used out the military establishment.

Table 4.10: Reason for unplanned retirement

Category of Response	Frequency	Percent
Members are unaware	53	16.2
Lack of government plan	60	18.3
Lack of personal saving scheme	27	8.3
Lack of employee contribution plan	11	3.4

Lack of employer sponsored retirement plan	12	3.7
Lack of active retirement investment scheme	21	6.4
All of the above	143	43.7
Non response	33	
Total	360	100

Source: Field Survey 2002

In view of the fact that pensions payments are very erratic and unpredictable, and that most retirement is unplanned, it was necessary to enquire what payment method could be adopted by a pension scheme to alleviate the problems caused by the delays. The results are summarized in Table 4.11. As can be seen from the table, a number of points emerge. First, only 4.3% of the respondents were in support of the maintenance of the status quo, which is in stark contrast to a total of 163 (or 48.9%) of the respondents that proposed that the pension Directorate should make payments through the banks to individual accounts of the pensioners. About 23.5% of the respondents were of the opinion that banks at the geopolitical zones should effect payments. In contrast, a total of 33 respondents (representing 10.1%) supported the idea that the state governments should make payment through the banking system to individual pension accounts. The interesting thing about it is that on the whole, more than 95% of the respondents had suggested some novel ways of making payments that will address the recurrent delays associated with the existing system.

Table 4.11: Easier Method of Payment

Category of Response	Frequency	Percent
From pension directorate to individual banks	163	49.8
Through local government to banks	37	11.3

Banks at geopolitical zones level to make payments	77	23.5
From state government banks to pension accounts	33	10.1
Continuation of current payment system	14	4.3
Others	3	0.9
Non response	33	
Total	360	100

Source: Field Survey 2002

One of the problems commonly associated with delays in payment of pension is the widespread allegation that pension funds are often loaded into personal accounts, generating interest income to the account holders. The longer the funds are kept, the more interest income earned, serving as an incentive for the account holder to hold the funds for a longer period, and thereby to cause more delays for the pensioners. When asked what they thought were motivation for the fraudulent interest incomes, the respondents had varying responses, ranging from the pursuit of selfish interest, government interest, lining of private pockets and sheer lack of accountability.

The views of respondents were sought concerning what checks and control measures were to be adopted in order to reduce the frequency of complaints at the pension Directorate. A summary of their responses is given in Table 4.12. It can be seen from Table 4.12 that respondents varied greatly with respect to their perception of how to curb the frequency of complaints to the directorate on matters related to pension. A significant proportion of them, however, support the proposition that decentralization of the functions of the directorate is an effective means of alleviating the sufferings of pensioners. Next in importance are those who support the notion that regular change of

officials at the directorate is an important mechanism for developing the capacity of the directorate to administer pension matters much more effectively. It is also observed from the table that 53 of the respondents (representing 16.6% of total) believe that regular audit of retirees can be an effective means of alleviating the difficulties encountered by pensioners. It is also remarkable that other respondents have made a good number of alternative proposals on reducing the delays in payment of pensions. Such proposals include seasonal review of records (9.1%), limiting the role of directorate record-keeping (6.9%) and establishment of reliable mechanism for liaison amongst the stakeholders, namely the pensioners, banks and the directorate. It is also interesting to note that only 4.4% of the respondents support the idea that the directorate, in addition to normal bureaucratic responsibilities, should also be devolved with the responsibility of handling financial matters of pensioners.

Table 4.12: How to reduce frequency of complaints

Category of Response	Frequency	Percent
Regular personnel audit of retirees	53	16.6
Regular change of officials at the Directorate	58	18.2
Seasonal review of records	29	9.1
Limiting the role of directorate to keeping of records only	22	6.9
In addition to record maintenance, the directorate should handle financial matters as well	14	4.4
Decentralization of functions of the Directorate	109	34.2
Establishment of reliable means of liaison between banks, payee and directorate	32	10.0
Others	2	0.6
Non response	41	
Total	360	100

Source: Field Survey 2002

Amongst the chief causes of delays in pension payments, inadequate capacity of the directorate to establish and maintain accurate accounting and personnel records of all pensioners. The views of respondents were therefore sought on the possible causes of this weakness of the pension directorate. A summary of their responses is given in Table 4.13.

A number of observations can be made with respect to the summary of responses provided in Table 4.13. One, the causes of weak accounting and personnel records can be attributed to a number of factors, the prominent amongst which is the lack of automation of record-keeping facilities. A total of 59 respondents (representing 15.6%) attribute the weakness of accounting and personnel records to the lack of automation of record-keeping facilities. The second most important factor, according to the respondents, is inadequacy of facilities for handling accounting and personnel records. Indeed, a total of 52 respondents point to this factor as a chief cause of the problem. The third most important factor according to the respondents is fraud and lack of adequate supervision. Other factors believed to be amongst the main causes of weakness of accounting and personnel records are: lack of regular maintenance of operating systems (6.9%), inadequate skill and manpower (5.0%) and other unspecified factors (0.3%). It can also be observed from the results in Table 4.13 that a total of 103 respondents (or 30.9%) believe that the aforementioned factors are amongst the main causes of weak accounting and personnel records in the pension directorate.

Table 4.13: Causes of weak accounting and personnel records

Category of Response	Frequency	Percent
Frequent review of organizational structure in the military	20	6.3
Lack of automation of record-keeping facilities	59	18.6
Fraud and lack of adequate supervision	45	14.2
Inadequate facilities for efficient handling of records	52	16.4
Lack of regular maintenance of the operating systems	22	6.9
Inadequate skill and manpower	16	5.0
All of the above	103	32.4
Others	1	0.3
Non response	42	
Total	360	100

Source: Field Survey 2002

In view of the widespread concern about the weaknesses of the pension system especially as it affects the military service, respondents were requested to give an overall assessment of the adequacy of government funding of the pension system. The results are detailed in the appendix. It can be seen from the results in the appendix that more than two thirds of the respondents feel that government funding of pension scheme is inadequate. Less than one third of the respondents believed that the funding by government of the military pension scheme is adequate.

Given that a majority of the respondents attribute the difficulties faced by pensioners in the military establishment to inadequate funding by government, it is in order to examine what the respondents see as the main causes of such inadequacy. The results are summarized in Table 4.14.

Table 4.14: Causes of inadequate funding

Category of Response	Frequency	Percent
Lack of government commitment	26	8.0
Weak government plans	30	9.2

Official fraud	97	29.7
Wide discrepancy between budgeted and released funds	67	20.5
All of the above	106	32.4
Others	1	0.3
Non response	33	
Total	360	100

Source: Field Survey 2002

From Table 4.14, it is clear that about 29.2% of the respondents attribute the inadequacy of funding to official fraud. This compares with a total of 67 respondents that attribute the inadequacy to the tendency for government to release funds well below the figures approved in the budget. In contrast, a total of 56 respondents were of the view that the inadequacy of funds can be attributed either to lack of government commitment (26) or weak government plans (30).

Given that the amounts released almost always fell short of expectation, it is not surprising that military pension debt has risen to alarming levels over the years. The respondents were therefore asked to indicate what they thought were other reasons for the rising military pension debt. A summary of their responses is given in Table 4.15.

Table 4.15: Causes of military pension debt

Category of Response	Frequency	Percent
Budget misclassification	31	9.7
Inadequate financial provision	65	20.2
Political problems	19	5.9
Institutional weakness	43	13.4
Unplanned retirement	49	15.3
All of the above	108	33.6
Others	6	1.9
Non response	31	
Total	360	100

Source: Field Survey 2002

A remarkable feature of the summary of responses presented in Table 4.15 is that a total of 65 respondents (or 19.5%) link the rising military pension debt to inadequate budgetary provision. In contrast, a total of 49 of the respondents (or 14.7%) attribute the debt profile to unplanned retirement, while 43 of the respondents see institutional weakness as a chief cause. However 9.7% of the respondents are of the opinion that budget misclassification is an important cause of the debt overhang in the military. This compares with 5.9% of respondents that associate the debt problem with political problems, although it was unclear in what form such political problems manifest themselves in the administration of military pension.

In view of the foregoing problems associated with military pension in Nigeria, the respondents were requested to indicate their perception of the regularity of auditing of pension systems and operations in the military. The results are summarized in Table 4.16, although the detailed results are given in the appendix.

Table 4.16: Regularity of audit of military pensions systems

Category of Response	Frequency	Percent
Regularly	30	09.0
Not regularly	174	55.6
Not audited at all	50	16.0
Indifferent	59	18.8
Non response	47	
Total	360	100

Source: Field Survey 2002

As can be seen in the results given in Table 4.16, a dominant proportion of the respondents indicated that audit of military pension was not regular, with a total of 174 (or 52.6%) of the respondents believing this to be the case. The

results also show that a total of 50 of the respondents believed that the military pension was not audited at all. Only 9.0% of the respondents are of the opinion that the audit is conducted regularly.

Although delays in pension payments has been seen to be a recurring problem for pensioners and that funding of pension system by government is grossly inadequate, the pensioners face a number of hurdles even before they gain recognition as registered military pensioners. This raises the question of the length of time it takes a person to be registered as a pensioner when they retire or are discharged. When asked to indicate the length of time it takes them to register with the pension directorate, the respondents gave a pattern of responses given in Table 4.17.

Table 4.17: Length of time taken to register with pension directorate

Category of Response	Frequency	Percent
1-5 months	112	37.1
6-10 months	101	33.4
11-15 months	19	6.3
More than 15 months	70	23.2
Non response	58	
Total	360	100

Source: Field Survey 2002

As can be seen from the results given in Table 4.17, a total of 112 of the respondents indicated that it took between one and five months to register with the pension directorate even after discharge or retirement. Similarly, a total of 101 of the respondents reported that it took between six and ten months to register with the pension directorate after retirement or discharge. In contrast, seventy of the respondents (representing 21.0%) indicated that it took more than 15 months to register with the pension directorate despite evidence of

retirement or disengagement. Only 19 of the respondents reported that it took them between 11 and 15 months to register.

Given the rather long time it takes to register, it is important to ascertain what the causes of such delays are, for this is crucial for any lasting solution to be proffered. The respondents were therefore requested to indicate what factors they felt were critical in explaining the observed delays in documentation at the pension directorate. The results are given in Table 4.18.

Table 4.18: Causes of inadequate funding

Category of Response	Frequency	Percent
Administrative bottlenecks	55	17.0
Corruption amongst officials	74	22.9
Breakdown in communication links	11	3.4
Ignorance of retirees about their rights and obligations	10	3.1
Administrative weakness	48	14.9
All of the above	117	36.2
Others	8	2.5
Non response	37	
Total	360	100

Source: Field Survey 2002

From the results given in Table 4.18, a number of factors are responsible for the delay that retirees experience when registering with the pension directorate. Such causes include administrative bottlenecks (14.4%), corruption amongst officials (22.2%), break down in communication links (3.4%), ignorance of retirees about their rights and obligations (3.1%) and administrative weakness (14.4%). It can also be seen that more than 35% of the respondents believe that all the aforementioned factors were responsible for the observed delays.

Given the above causes of delays, respondents were further asked to indicate what other mechanisms they would like to see put in place to improve the capacity of the pension office to handle issues related to military pension. The results are summarized in Table 4.19.

Respondents proffered varying ways of improving activities at the military pension office. From Table 4.19 it can be seen that 27.6% of respondents suggested a decentralization of activities at the pension office while 15.1% of the respondents suggested the pension office to engage competent personnel at the pension directorate. In contrast, a large number of the respondents suggested that payees be classified along different categories such as, local government affiliation(16.2%), arm of service (6.9%), arm of regiment (11.6%), state of origin (11%), and geo-political zones (8.8%).

Table 4.19: Suggested mechanisms for improvement

Category of Response	Frequency	Percent
Decentralization	92	28.9
Engagement of competent hands	50	15.7
Classification of payees by local government origin	54	17.0
Classification of payees by arm of service	22	6.9
Classification of payees by divisional area of responsibility	37	11.6
Classification of payees by state of origin	35	11.0
Classification of payees by Geo-Political zone	28	8.8
Non response	42	
Total	360	100

Source: Field Survey 2002

Related to the above question, but focusing specifically on financial matters, a question was asked requesting respondents to indicate how

improvements could be made to improve financial service delivery. The pattern of response is given in Table 4.20.

Table 4.20: Financial improvements to bolster pension system

Category of Response	Frequency	Percent
Continuation of present arrangement	35	10.8
Payment through first-generation banks at LGA level	132	40.9
Create pension departments at six geopolitical zones	156	48.3
Non response	37	
Total	360	100

Source: Field Survey 2002

From the results given in Table 4.20, a vast majority of the respondents, totaling 156 (or 46.9%), support the creation of six pension departments, one each at the six geopolitical zones of the country. In their view, such departments could then handle more effectively pension matters for the indigenes of the zones. The table also shows that a total of 132 respondents (39.6%) prefer that payments of pensions be handled by the first-generation banks at the local government level. It is interesting to note that only 10.5% of the respondents support the maintenance of the status quo, with pension payments handled by the pension directorate.

A further question was asked for the respondents to express their perception on the level of risk associated with engagement of new-generation banks in the handling of pension matters. The results, shown in the appendix, indicate that 44.5% of the respondents consider that as very risky. Only 28.2% of the respondents consider the proposal as not risky at all. There are two other categories of responses to this question, with 12.4% of the respondents

indicating that this proposal is not convenient to them, and 14.8% fearing inadequate security as a possible risk factor.

As an alternative to the monthly payment of pension, it is often argued that a one-off payment to pensioners has an advantage over the existing system, as it will allay fears of delays and other problems associated with the current monthly payment. Thus, respondents were asked whether or not they supported the proposal for a one-off payment. The results, detailed in the appendix, reveal that 58.7% of the respondents were in support of it, and that only 41.3% did not support such method of payment.

Although one-off payment seems to be the preferred option, as noted above, the financial viability of this option is sometimes a source of worry, especially given the competing expenditure items that the government is committed to. Thus, it is important to consider other alternative approaches to dealing with the perennial problems encountered by military pensioners. Thus, a question was asked on whether or not the respondents were in support of prioritizing the one-off payment based on the following order: civil war veterans and senior personnel; Nigerian Army and 63NA; 79NA and Juniors; and six states per financial year, until all 36 states are covered. The response to this question is summarized in Table 4.21. As can be seen from the results in Table 4.21, a total of 163 of the respondents (48.9%) accepted this proposal on prioritizing the one-off payment. This compares with a total of 79 respondents that did not accept it.

Table 4.21: Prioritization of one-off payment

Category of Response	Frequency	Percent
Accepted	163	62.5
Not accepted	79	30.3
Others	19	07.3
Non response	99	
Total	360	100

Source: Field Survey 2002

An alternative proposal was made and respondents asked to indicate whether or not they accepted it. The proposal is contained in Question 40 of the Questionnaire, a copy of which is annexed in Appendix 1. The pattern of response is summarized in Table 4.22. Clearly, this alternative proposal on the prioritization of one-off payment appears to have wider level of acceptability, with a total of 198 respondents (59.5%) accepting it, compared to a total of 79 (23.7%) that did not accept it.

Table 4.22: Prioritization of one-off payment – a second option

Category of Response	Frequency	Percent
Accepted	198	62.5
Not accepted	79	30.3
Non response	83	
Total	360	100

Source: Field Survey 2002

The respondents were asked a related question, this time focusing on whether they were in support of capital sum payment over a period of six years, or an average of six states per year. The response to this question was very remarkable in that a total of 161 (or 51.6%) respondents did not agree with that proposal, compared to a total 142 (or 45.5%) that supported it. This is in stark contrast to their response to the question of whether or not they supported a

reclassification of military pension to consolidated revenue or first line charge. Out of a total of 306 responses to this question, a total of 260 (or 85%) of the respondents supported the idea of reclassification, compared to only 46 (or 15%) that did not.

In view of on-going pension reforms in many countries and that such reforms tend to reflect a movement from non-contributory to contributory pensions, a question was asked on whether the retirees were in support of introduction of a contributory pension scheme. About 64.5% of the respondents supported the introduction of such reforms, compared with 35.5% that did not. A related question was asked in order to gauge the extent to which the respondents would like to contribute to a pension account if asked to do so. The pattern of responses to this question is given in Table 4.23.

Table 4.23: Prioritization of one-off payment – a second option

Category of Response	Frequency	Percent
2½%	88	35.6
3%	39	15.8
3½%	23	09.3
4%	17	06.9
5%	80	32.4
Non response	113	
Total	360	100

Source: Field Survey 2002

As can be seen in Table 4.23, all the respondents indicated readiness to engage in a contributory pension scheme. However, they varied in terms of the extent of the contribution they were ready to make. In fact while 88 (or 26.2%) of the respondents were ready to contribute 2½%, 80 (or 24.0%) of them were

ready to contribute 5%. It is also evidence from the table that 11.7% of the respondents were ready to contribute 3%, compared to 6.9% that indicated 3½%. Only 17 (or 5.1%) would like to contribute 4% if required to contribute to a pension account.

As discussed in the literature review, a number of developing countries under the pioneering example of Chile, have introduced reforms, moving from defined benefit to defined contribution scheme. An important feature of such reforms is the introduction of private sector in the management of pension funds. Thus, the respondents were asked to indicate whether or not they were in support of transfer of management of pension funds from a government organ such as the pension directorate to the private sector such as first generation banks. An overwhelming proportion of them (62.1%) supported the idea, compared to 37.9% that did not.

In order to get further demographic characteristics of respondents, a number of questions were asked covering such features as service entry age bracket, contract type, and the number of years they intended to put into the military service. Responses to these and related questions can be summarized as follows: First, the respondents showed wide variations with respect to service entry age bracket, as 77.1% of them were in 16-19years bracket, compared to either the 12-15years bracket for which 9.9% of the respondents fell, or the 20-22 years bracket, into which 13% of the respondents fell. Second, there were wide variations with respect to contract type. In particular, recruitment accounted for the highest type of contract, accounting for 48.8% of

total. It is also noteworthy that 37.3% of them were on a regular contract category, compared to 9.8% that were on reengagement. Only 4.1% of the respondents were in the short-service contract category. Third, the pattern of responses to the question on the number of years they intended to serve also showed wide variations, as given in Table 4.24.

From the results in Table 4.24, it is clear that a majority of the respondents, totaling 125 intended to serve for between 10 and 15 years. This compares with 61 of them that intended to serve for 16-20 years. A total of 54 of them had intention of serving for less than 10 years, which compares with a total of 51 that intended to serve for between 21 and 35 years.

Table 4.24: Number of intended years of service

Category of Response	Frequency	Percent
<10 years	54	18.6
10-15years	125	43.0
16-20years	61	21.0
21-35years	51	17.5
Non response	69	
Total	360	100

Source: Field Survey 2002

Finally, the respondents were asked to indicate what post-military service skills they had acquired. The pattern of responses is given in Table 4.25.

Table 4.25: Post-military skills acquired

Category of Response	Frequency	Percent
Handicraft	9	03.1
Medical service	10	03.5
Consultancy service	64	22.2
Farming	46	16.0
Business	156	55.2

Non response	72	
Total	360	100

Source: Field Survey 2002

From Table 4.25, it is clear that majority of the respondents had acquired skills for running of private business, totaling 156 (or 46.8%). This compares with a total of 64 (or 19.2%) of them that had acquired skills on consultancy service. In contrast, a total of 46 (or 13.8%) of them had farming skills, compared to a total of 10 that had medical-service skills or 9 for handicraft.

4.3 Inferential results

This section presents the results obtained from tests of the eight hypotheses for this study. The results are discussed in turn.

4.3.1 Testing the First Hypothesis

It will be recalled that the first hypothesis for this study is:

4.3.1.1 There is no significant relationship between pensioners' welfare and regularity of payment

This hypothesis was tested using the one-way analysis of variance. The results of the test are given in Table 4.26.

Table 4.26: Testing the relation between welfare and payment interval

Payment interval	Mean welfare	F-statistic
1-2 months	14.00	17.65***
3-4 months	12.29	
5-6 months	11.43	

7-8 months	10.33
9-10 months	10.33
11-12 months	9.00
Unpredictable	7.67
Significant at 1% (***)	

Source: SPSS Output

As can be seen from Table 4.26, the F-statistic is significant at 1%, which means that there is a significant relationship between welfare of retirees and the payment intervals of pension. It is clearly evident from the results in the table, that the longer the delays in pension payment, the less the welfare of the retirees. Based on these results, the null hypothesis that suggests no significant relationship between welfare and payment interval is rejected, in favour of the alternative hypothesis which proposes a significant relationship between the two variables.

4.3.2 Testing the Second Hypothesis

It was shown in chapter three of this work that the second hypothesis is:

4.3.2.1 There is no significant relationship between welfare and type of service contract.

This hypothesis was tested using the one-way analysis of variance. The results are given in Table 4.27.

Table 4.27: Testing the relation between welfare and contract type

Contract type	Mean welfare	F-statistic
Regular	7.9	3.33**
Short service	10.25	

Reengagement	9.52
Recruitment	9.49

Significant at 5% (**)

Source: SPSS Output

From the results given in Table 4.27, one finds that the average welfare of retirees is highest amongst the short service staff, compared to the average of 9.52 or 9.49 for reengaged or recruitment staff. Moreover, the F-statistic is significant at the 5%, leading to the rejection of the null hypothesis, which predicts no significant relationship between welfare and contract type.

4.3.3 Testing the Third Hypothesis

The third hypothesis for this study was stated as follows:

4.3.3.1 There is no significant relationship between welfare and modality of record keeping.

Using the one-way analysis of variance, the above hypothesis was tested and the results summarized in Table 4.28.

Table 4.28: Testing the relation between welfare and category of record-keeping authority

Record keeping authority	Mean welfare	F-statistic
Intelligence unit	9.95	1.68
Last unit served	10.29	
Manning and records	11.00	
Pension directorate	10.00	
Still in possession	5.83	
Others	8.75	

Source: SPSS Output

It is observed from the table that the average welfare of retirees has tended to vary across the various categories of record-keeping authorities. However, this variation is not significant, since the F-statistic, at 1.68, is not significant even at the 10% level. Thus, the null hypothesis, which predicts no significant relationship between welfare and category of record-keeping authority is not rejected.

4.3.4 Testing the Fourth Hypothesis

The fourth hypothesis for this study was stated in chapter three as follows:

4.3.4.1 There is no significant relationship between welfare and conformity with accounting standards requirement for audit and disclosure.

The one-way analysis of variance was employed to test the hypothesis. The results from the test are detailed in Appendix 3, but summarized in Table 4.29.

Table 4.29: Testing the relation between welfare and conformity with accounting standards requirement for audit

Regularity of Audit	Mean welfare	F-statistic
Regular	10.90	6.50***
Not regular	10.44	
Not audited at all	9.46	
Indifference	8.00	

Significant at 1% (***)

Source: SPSS Output

From the results given in the table 4.19, a number of conclusions emerge. First, welfare level of retirees has tended to vary across the different levels of perception of audit requirements. In particular, the results show that those who

perceived the pension authorities as being regular in the conduct of audit of pension have the highest level of mean welfare (10.90) compared to those who saw the audit process as never carried out (9.46). Second, the F-statistic was found to be 6.50, which is significant at the one percent level. Thus, the null hypothesis, which suggests no significant relationship between welfare and conformity with accounting standards requirement of audit is rejected in favour of the alternative which suggests a significant relationship between the two variables.

4.3.5 Testing the Fifth Hypothesis

It will be recalled that in chapter three, the fifth hypothesis for this study was stated as follows:

4.3.5.1 There is no significant relationship between retirees' welfare and their age categories.

This hypothesis was tested using the one-way analysis of variance, the detailed results of which are contained in the computer print-out shown in Appendix 3. However, a summary of the results is given in Table 4.30.

Table 4.30: Testing the relation between retirees' welfare and their age categories

Age on retirement	Mean welfare	F-statistic
Below 60 years	9.64	2.56*
61-70 years	10.00	
Over 70 years	16.50	

Significant at 10% (*)

Source: SPSS Output

A couple of observations can be made with regard to the results presented in Table 4.30. Clearly, wide variations is observed in welfare across pensioners of different retirement age categories. In particular, pensioners that retired at more than 70 years of age were found to have significantly higher levels of welfare (averaging 16.50), compared to those that retired before the age of 60. Moreover, these variations in welfare were found to be statistically significant as the F-statistic, at 2.56, is significant at the 10% level. Thus, at 10 per cent level of significance, the null hypothesis is rejected in favour of the alternative that suggests a significant relation between welfare and retirement age.

4.3.6 Testing the sixth hypothesis

The sixth hypothesis was stated in chapter three as follows:

4.3.6.1 There is no significant relationship between welfare and years of military service.

The results obtained from the test of this hypothesis are summarized in Table 4.31, although the detailed results are shown in Appendix 3.

Table 4.31: Testing the relation between welfare and years of military service

Years of service	Mean welfare	F-statistic
Below 10 years	7.89	2.49**
10-20 years	9.39	
21-30 years	10.33	
31-35 years	9.47	
Above 35	7.86	

Significant at 5% (**)

Source: SPSS Output

From the results in the table 4.31, two points emerge. One, variations in welfare are found across retires with varying levels of welfare. In particular, average level of welfare amongst retires with 21-30 years of military service appears to be the highest, standing at 10.33, compared to the average of 7.89 for those with less than 10 years of service. Two, the F-statistic was found to be 2.49, which is significant at the 5% level. This leads to the conclusion that the null hypothesis, which predicts no significant relation between welfare and length of military service, is rejected in favour of the alternative that suggests a significant relation between the two variables.

4.3.7 Testing the Seventh Hypothesis

In chapter three, the seventh hypothesis was stated thus:

4.3.7.1 There is no significant relationship between welfare and proposed method of payment.

The one-way ANOVA was used to test this hypothesis. The detailed results from this test are given in Appendix 3, and summarized in Table 4.32.

Table 4.32: Testing the relation between welfare and proposed method of payment

Proposed method of payment	Mean welfare	F-statistic
Directorate to banks	9.47	2.80**
LGA to banks	10.11	
Banks to geopolitical zones	9.91	
State government to banks	11.39	
Maintain status quo	8.07	
Others	4.67	

Significant at 5% (**)

Source: SPSS Output

A distinctive feature of the results in Table 4.32 is that retirees with different proposals for reform of the pension system differ markedly with respect to their levels of welfare. In particular, those proposing state government involvement recorded the highest level of welfare, compared to those that suggested payment by banks. Moreover, the F-statistic, at 2.80 is significant at the 5% level, which prompts one to reject the null hypothesis that suggests no significant relationship between welfare and category of proposal for reform of the payment system.

4.3.8 Testing the Eighth Hypothesis

The eighth hypothesis was stated in chapter three as follows:

4.3.8.1 There is no significant relationship between welfare and willingness to participate in a contributory pension scheme.

The one-way analysis of variance was used to test it and the results summarized in Table 4.33. A striking feature of the results is that the F-statistics is very low and not significant even at the 10 percent. Thus we do not reject the null hypothesis that predicts no significant relationship between welfare and willingness to participate in a contributory pension scheme.

Table 4.33: Testing the relation between welfare and willingness to participate in a contributory pension scheme

Willingness to engage in a contributory scheme	Mean welfare	F-statistic
2.5%	9.05	1.35
3%	9.56	

3.5%	10.69
4%	8.53
5%	8.39

Source: SPSS Output

4.3.9 Testing the ninth, tenth and eleventh hypotheses: the use of regression analysis

In chapter three, the ninth, tenth and eleventh hypotheses were stated, but for our current purpose, it is important to restate them here:

4.3.9.1 There is no significant relationship between welfare and managerial effectiveness of pension scheme

4.3.9.2 There is no significant relationship between pensioners' welfare and operational effectiveness of pension scheme.

4.3.9.3 There is no significant relationship between pensioners' welfare and inadequacy of funding of the pension scheme.

The above hypotheses were tested with the aid of the multiple regression analysis. The computer-printout of results is given in Appendix 3. A summary of the regression results is given in Table 4.34.

Three conclusions can be drawn from the regression results given in Table 4.34. First, managerial parameter estimate for managerial effectiveness is not significant even at the 10% level. This implies that the ninth hypothesis is not rejected. Thus, no significant relationship is found between managerial efforts and welfare of retirees. The relationship between funding adequacy and pensioners' welfare is not significant perhaps due to low level of funding.

Hence funding does not positively affect the pensioners' welfare and therefore the null hypothesis is not rejected. Finally, the test results confirms significant relationship between pensioners' welfare and operational effectiveness of the scheme, which variable is shown to be significant at the 1% level. The null hypothesis is therefore rejected in favour of the alternative.

Table 4.34: Using regression analysis to test the effect of managerial effectiveness, operational efficiency and funding adequacy on the welfare of pensioners.

Independent variable	Parameter estimate	Standard error	T-ratio
Managerial effectiveness	0.006175	0.079378	0.078
Funding adequacy	03.042205	0.118253	0.357
Operational effectiveness	-1.32568	0.414695	-3.197***

Significant at 1% (***)

Source: SPSS Output

4.4 Discussion of Findings

How do the results compare with the studies in other countries and what policy implications might one draw from them? There is no simple answer to this question so we approach it by reference to several studies in other countries, and linking them with the results reported in this chapter, so that possible lines of comparisons could be drawn, and conclusions based on them could be derived.

In chapter four, Table 4.14 presents causes of inadequacy of funding. In Table 4.14, in chapter four, we presented the causes of inadequacy of funding. Amongst the most prominent, the lack of commitment of the government plays an important role. This finding echoes the report on Bolivia where Gersdorff

(1997) alludes to the paucity of funds as a key problem plaguing the country's defined-benefit scheme. According to Gersdorff, the problem was so evident that by 1996, accumulated pension deficit was high, and at the rate of its growth, it was projected to reach $3 billion by 2002, a figure equivalent to 40% of Bolivia's GDP (p. 4). Thus, as in Bolivia, our findings suggest that inadequacy of funding of pension in Nigeria is an important source of dissatisfaction by pensioners.

A second issue raised in the results given in Table 4.14 is that weak government plans and lack of commitment of the authorities were amongst the chief causes for the accumulated pension debt in Nigeria. This findings is in tune with the report on Bolivia where Gersdorff (1997) observes that at the height of the implementation of the defined benefit scheme in Bolivia, the government's inability to honour earlier commitments was very visible. In fact, he argues that even "the actuarial studies envisaged in the original pension law of 1957 were never undertaken" (p.4). It should be stressed that Gersdorff emphasizes, as we do in this study, that the weaknesses observed during the implementation of defined-benefit schemes are as relevant for that scheme as they are for the new one that came to replace it. In other words, lack of commitment on the part of the authority to see to the implementation of a scheme could throw even the most promising scheme into disrepute. Thus, the points raised by the respondents and summarized in table 4.14 are still relevant for Nigeria, even though a new pension system is in place.

A second issue in relation to the findings of this study is the importance of poor management as the bane of the country's pension system. It will be recalled that in Table 4.15, the respondents underscored the importance of poor management as an important cause of rising pension debt, and hence as a factor contributing to the dismal record of Nigeria's defined-benefit pension system. In the table, poor management was manifested in a number of ways, such as misclassification of budget, inadequacy of financial provision, political manipulations and institutional weaknesses. Do these findings relate to results from other countries? Going by a report on Chile, the answer to this question is in the affirmative. According to Acuna and Augusto (2001) "the crisis of the old Chilean pension system was due mainly to a combination of bad management and political manipulation of social security programs, and not so much to demographic trends" (p. 54).

In agreement with the above assertion by Acuna and Augusto on Chile, our findings in this chapter suggest significant influence of bad management on the inability of the pension system to avert crisis. It will be recalled that in earlier sections of this chapter, we presented in Table 4.16 the results emanating from the views of the respondents concerning audit of the pension scheme. Our contention here is that a well managed scheme should experience regular audit. As the results in Table 4.16 show, this aspect of management is very weak in Nigeria, with many respondents making an emphatic claim to the near absence of audit for many of the country's pension systems. Thus, in line with the experience in Chile, our results show that poor management has been

an important factor militating against the country's defined-benefit pension scheme.

The above conclusion should not be taken to imply the irrelevance of this conclusion to a new scheme that Nigeria is operating. To the contrary, regularity of audit is just as important for a defined-benefit as it is for a defined contribution scheme. Thus, although the results given in Table 4.16 were drawn based on experience of defined-benefit scheme, they nonetheless are important for a defined-contribution scheme.

A related issue is that the extent to which a pension scheme could prosper or founder depends critically on the commitment of the authorities. In Kosovo, Gubbels, Snelbecker and Zezulin (2007) reports that in a number of ways, the authorities in that country have expressed their resolve to strengthen the fledgling pension system. One, member of board of governors of the pension authority draws people with relevant skills and experience even from outside the country (p. 70). Two, as the country had just emerged out of years of protracted civil war, investment policy has allowed all pension funds to be invested abroad (p. 69). What lessons might one draw from the Kosovo experience, based on the results reported in this chapter? A look at the results in Tables 12 through 16 shows that participants in the Nigerian defined-benefit scheme have expressed in several ways how the pension authority have shown a glaring lack of commitment towards addressing critical issues affecting pension. The results have also shown that the lack of commitment is manifested in a wide variety of ways such as paucity of funds, inadequate

regulatory and oversight functions, inefficient administration and record-keeping, and weak enforcement of accounting standards.

The results presented in this chapter, including those pertaining to hypotheses tests are in a number of ways related to studies on pension undertaken in many countries around the world. It will be recalled that our results suggest that participants are willing to contribute towards a pension scheme (Table 4.33). This finding is unsurprising since the literature is replete with the benefits such as increased savings that are associated with defined contribution system. To the extent that respondents are willing to contribute towards saving in a privately managed pension account, this is good news since contribution evasion is likely to be low in a climate of widespread willingness to contribute. It would appear that the respondents are well aware of other benefits that such a scheme could bring, not least through its ability to address the perennial problem of delays in pension payment. Studies abound buttressing the ability of a contributory pension system to raise national savings. Drawing from the experience of Chile, Queisser (1999) notes that the country had raised over US$30billion in savings, equivalent to 40% of the country's GDP.

CHAPTER FIVE
SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary

Nigeria has embraced a new set of pension reforms, moving from a defined benefit to a defined contribution scheme. The aim of the reforms includes ensuring income security for all retirees in Nigeria. This is an objective which the defined-benefit failed to achieve, given the protracted delays in payment of pensions to eligible retirees. It was the failure of the DB scheme that led to mounting pressures on the authority to adopt sweeping reforms to ameliorate the situation.

With the passage into law in June 2004 of the Pension Reform Act, the authorities were convinced that private management of individual pension savings account could go a long way to address the recurrent problems that pensioners and their families experience under the DB scheme. Two major factors are adjudged to have contributed to a worldwide trend to switch from DB to DC schemes. One, the advent of demographic trends that have raised the dependency ratio in many developed and even some developing countries has been identified as a key factor. Two, for many developing countries with weak legal systems, and even corruption, the state has not been an efficient administrator of pension funds. This couple of factors have helped explained the fact that by 2007, over 110 countries have to varying degrees implemented pension reforms.

Since Nigeria has adopted pension reforms along the lines of the Chilean model, it is of interest to examine what the literature says about the possible macroeconomic effects of such a switch. Thus, after providing an overview of this study in chapter one, chapter two reviews the literature, focussing on the macroeconomic effects of contributory pension systems to the economies of the reforming countries. In that chapter, the macroeconomic effects of DC were pointed out, with five of them being the most predominant: savings mobilisation; development of the capital market; helping the employer to hire and retain high-productivity employees; improving the mobility of labour, placing workers in a better position to take up more remunerative jobs; and reducing the risk of investment by facilitating international asset diversification.

In chapter three, the methodology of the research is outlined, stating that a total of 333 ex-service men filled up a structured questionnaire and returned them in usable form. Using the SPSS the data was analysed, and results presented in descriptive form as well as through tests of hypotheses.

Therefore, this study could be said to have investigated the relationship between the welfare of pensioners and their perception of the military's commitment as to regularity of payment, record-keeping and conformity with accounting standards. The study further investigated the relationship between certain demographic variables of pensioners and their welfare. The study concluded by identifying the extent to which welfare of pensioners is related to

willingness of active service personnel to participate in a contributory pension scheme.

5.2 Conclusion

The findings from the results are compelling. As shown in chapter four the findings of the study are revealing, and can be grouped into four sections.

First, welfare of military pensioners was found to be significantly related to regularity of payment, quality of enforcement of regulatory standards; and the extent to which accounting standards are enforced.

Second, certain demographic characteristics were observed to have a significant effect on welfare.

Finally, it was stressed that majority of military pensioners facing tremendous hardships expressed willingness to participate in a contributory pension scheme if they were given the chance to do so during their time of active service.

The analysis of results was then accompanied with a link between the findings of this research with those reported by earlier researchers. Useful parallels were drawn with results from other countries. In particular, we cautioned that the introduction of a contributory pension scheme should not be seen as the beginning of an end to the crisis faced by military pensioners. Even countries such as Chile that went down the road of reform have realised the critical role that the regulatory agencies could make in order to promote success of the new scheme. It was emphasized that even the best systems could falter if appropriate governance mechanisms are not in place. The

question of governance is concerned with protecting the interests of all parties especially the beneficiaries of a pension system. It was also stressed that in Nigeria, a code of corporate governance has been developed, but there has yet to be a code of corporate governance that could influence the behaviour of pension fund administrators. Governance is particularly critical in situations such as pension fund management where asymmetry of information is prevalent. A typical example of asymmetry of information arises where a pension fund administrator has access to financial information, about which the contributor may know little. This will create a room for the administrator to expropriate the contributor, based on the asymmetry of information.

5.3 Recommendations

In view of the fact that military pensioners are facing dire circumstances, their plight requires priority attention. A set of recommendations, based on the foregoing results, could be made in this regard. Three sets of recommendations can be made based on the findings of this study.

The firs set of recommendations are for the short term. As is well known, although a new pension scheme is in place, it going on side-by-side with the old scheme. This is because those who retired under the old scheme, and those with less than three years to retire at the time the new scheme came into force, were exempted from joining the new scheme. Thus one would recommend that for this category of people, the government should come out

with a categorical statement about when it intends to close the old scheme. Additionally, the government should come out with a policy of unified payment procedure in order to alleviate the difficulties of the retirees. Moreover there is the need for the authorities to introduce age limit and enforce it so that young former military personnel may no longer be eligible for pension until they reach a well-defined age. Finally, the military pension assessment board should be demilitarised in order to facilitate accountability and transparency.

Over the medium term, a number of recommendations may be made. One is that a new agency to handle the liquidation of debt stockpile that accumulated during the days of the DB scheme. Two, military retirees should be categorised into three age categories for purpose of gradual bulk terminal payment, after due negoation.

Over the longer term, a main recommendation is for the authorities to ensure that the DC receives the support of all stakeholders – the various tiers of government, the private sector and the workers. This is indispensable in order to ensure success of the scheme. Second, PENCOM be mandated to appoint external auditors for PFAs in Nigeria, and fix and pay their remuneration. Third licensed PFAs should be made to hold regular annual meetings with their subscribers as well as with PENCOME consultants. Fourth, PENCOM should ensure the achievement of a competitive return on investment as this is required in order to guarantee higher pension payments to subscribers when they retire. Fifth, workers representatives should ensure that they appoint pension

consultants to provide them feedback about the outcomes of their investments that the PFAs are managing. Finally, the authority should step up efforts to wind up the DB scheme in order to stop unnecessary leakage of resources from the nation's treasury.

5.4 Implications for Research

A study on the merits of a contributory pension system, and how this might provide lessons for addressing the plight of pensioners needs be based not only on primary data of the kind used in this study, but also employ the use of secondary data from pension fund administrators and National Pension Commission. Given that some of the PFAs have just been licensed by PENCOM, secondary data from such pension institutions is at best at its infancy. It is therefore a challenge for future research to make use of secondary data when it is available from PFAs for the purpose of conducting an empirical research on the effects of contributory pension schemes on the economy. Such kind of study will offer some important insights into a range of issues such as: to what extent has the new system impacted on savings mobilisation? In what ways has the contributory pension scheme contributed to the growth and development of the capital market? How has the system promoted mobility of labour, given that workers are free to own and operate a private pension savings account? In what ways has it addressed the recurrent problems of delays in pension payment? Are participants under the new scheme faring any better than those of the old scheme in terms of income security in old age? It is

the contention of this study that such issues when they are addressed by future researchers could build on the achievements of the modest efforts made in this study.

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Appendix 1: Pension Fund Administrators Licensed by PENCOM

1. IBTC Pension Managers Limited
2. Premium Pension Limited
3. Leadway Pensure PFA Limited
4. Sigma Vaughn Sterling Pensions Limited
5. Pension Alliance Limited
6. First Alliance Pension and Benefits Limited
7. ARM Pension Managers Limited
8. Trustfund Pensions PLC
9. First Guarantee Pension Limited
10. Crusader Sterling Pensions Limited
11. NLPLC Pension Fund Administrators Limited
12. Legacy Pension Managers Ltd
13. AIICO Pension Managers Ltd
14. OAK Pensions Limited
15. Penman Pension Limited
16. Anchor Pension Managers Ltd

Closed Pension Fund Administrators

17. Shell Nigeria Closed Pension Fund Administrator Limited
18. Progress Trust Ltd
19. Nestle Nig. Trust Ltd
20. UNICO Pension Trust Ltd

APPENDIX 2: QUESTIONNAIRE

RESEARCH QUESTIONNAIRE ON THE EVALUATION OF MILITARY SERVICE PENSION SCHEME IN NIGERIA (A CASE STUDY OF THE NIGERIAN ARMY)

Please, tick ( ) appropriate option and fill in the spaces provided.

SECTION A: BIO-STATISTICS/DEMOGRAPHIC INOFRMATION

1. Intended/present occupation on retirement:

   a. Farming
   b. Trading
   c. Handicap (without job)
   d. Handicap (employed)
   e. Industrialist/manufacturer
   f. Private business
   g. Unemployed
   h. If others please specify

2. Gender

   a. Male
   b. Female

3. Marital status

   a. Single
   b. Married
   c. Divorced
   d. Separated
   e. Widowed

4a. Age of retirement

   a. Below 60 years
   b. 61-70 years
   c. Above 70 years.

4b Present Age

   a. Below 60 years
   b. 61-70
   c. Over 70

5. Area of Specialization

   a. General duties
   b. Military related skill only
   c. Administration and management
   d. Clerical duties
   e. Building and construction
   f. Professional/Consulting services
   g. Manufacturing (cottage industries)
   h. If others please specify.

6. Years of military service

   a. below 10 years
   b. 10-20 years
   c. 21-30 years
   d. 31-35 years
   e. above 35 years

7. Year of discharge/retirement

   a. 1914-1959
   b. 1970-1980
   c. 1981-1990
   d. 1991-2000
   e. 2001 till date

SECTION B

8. Are your pension emolument paid regularly?

   a. Yes
   b. No

9. At what monthly interval is your pension emolument paid?

   a. 1-2 months
   b. 3-4 months
   c. 5-6 months
   d. 7-8 months
   e. 9-10 months
   f. 11-12 months
   g. Unpredictable

10. Which category of disengagement do you fall within?

    a. Disability/medically unfit
    b. Dismissal from service.
    c. Voluntary
    d. Compulsory
    e. Demobilization
    f. Not entitle to pension
    g. Desertion: No Benefit Attached to this kind of exit from military service

11. Were you engaged during the last civil war?

    a. Yes
    b. No

12. If yes, did you sustain any injury?

    a. Yes
    b. No

13. If yes, what is the degree of injury?

    a. Very serious
    b. Serious
    c. Not very serious
    d. Not serious at all
    e. Minor

14. What percentage of disability was approved for you?

    a. Below 20%
    b. 21-40%
    c. 41-60%
    d. 61-70%
    e. Above 70%

15. What role did the intelligent unit play during your exit from service?

    a. Duly documented and issued with discharged personnel I.D. card on exit.
    b. Had nothing to do on exist.
    c. Issued security clearance/discharged I.D. card as a control.

d. Detailed control and cognizance of the form of disengagement was established.
e. All document issued on exit were scrutinized by the intelligent unit, before final payments were approved.
f. If others please specify …

16. Did the intelligence unit document you during your engagement in service?

a. Yes
b. No.

17. Who issued your I.D. card during initial engagement into service?

a. Intelligence unit
b. Records office
c. Training deport
d. Training and doctrine (TRADOC)
e. First serving unit
f. If others please specify …

18. Who relieved your I.D. card on final disengagement?

a. Intelligent unit
b. Last unit served
c. Manning and records
d. Pension Directorate
e. Still in possession
f. If others please specify …

19. Do you consider that most retirements of personnel as unplanned?

a. Yes
b. No

20. Why is mot retirement in the military regarded as unplanned?

a. Because members are often taken unaware.
b. Lack of government long-term plan involvement.
c. Lack of personnel saving scheme.
d. Lack of employee contribution plan.
e. Lack of employer sponsored retirement plan in terms of savings for future retirees.
f. Lack of active retirement investment scheme.
g. All of the above.
h. If others please specify …

21. Have you acquired sufficient training and skill that can be used outside the military service?

a. Yes
b. No

If yes, please comment on such training and skill acquired ……
……..

22 What easier method of payments do you recommend should be strictly adhered to in paying your monthly pension.

a. From Pension Directorate direct to individual personal bank accounts at Local Government of residence.
b. Through the local government of each individual, to their banks.
c. Organize banks at each geopolitical zone to handle the pension scheme and payments for each zone.
d. Through the state government banks to individual pension account.
e. Continuation with the current Pension Directorate procedure be maintained.
f. If others please specify …

23. What do you think happened to the cumulative "interest" accruing at banks where pension monies are kept, during delays in immediate payments to beneficiaries?

a. It encourages such delays so as to fulfil certain selfish interest.
b. Such interests are always accounted to the government.
c. It is always retrieved into private pockets.
d. There is no accountability for such funds.
e. If others please specify …

24. What are the checks and control measures being adopted to curb frequent complaints at Pension Directorate?

a. Regular personnel audit of retirees.
b. Regular swap and change of officials at Pension Directorate.
c. Seasonal review of records.
d. To keep and maintain records only, without involvement in release of funds.
e. Besides paper work the Directorate should be entrusted with all financial transaction and responsibilities.
f. Decentralize the functions at present Directorate.

g. Establishment of sound and workable modality amongst payee, the bank and the Pension Directorate to Service/Fmn level.
h. If others please specify …

25. What do you consider as responsible for the inadequate documentation of personnel records, which has adverse effect on the determination of actual strength of the pensioners.

a. Continuous force structure reorganizations.
b. Lack of automated instruments to help keep and maintain correct records.
c. Lack of adequate supervision and intent for fraud by officials.
d. Nonchalant attitude on the part of the authority to deploy adequate machinery for consistent record keeping.
e. Lack of regular checks and balances of the operating system.
f. Lack of adequate skill and manpower.
g. All of the above.
h. If others please specify …

26. Do you consider government pension funding as adequate?

a. Yes
b. No

27. What do you consider is responsible for authorities inadequate funding of pension?

a. Government lack of faith in the Pension funds requisition.
b. Complacency of government in planning its role.
c. Disbursed fund are invested by the entrusted officials for their selfish interest.
d. Released funds are often insufficient to go round beneficiaries.
e. All of the above.
f. If others please specify …

28. Do you think that federal government is skeptical in releasing sufficient funds to Pension authority for onward payment of pension?

a. Yes
b. No

29. What do you consider responsible for government indebtedness to military retirees?

a. Due to budget misclassification.
b. Inadequate financial provision.

c. Due to political under tone
d. Organization inadequacies of Pension authorities.
e. Successive unplanned retirements.
f. All of the above.
g. If others please specify …

30. How regular is the Pension system and operations audited?

a. Regularly
b. Not regularly
c. Not audited at all
d. Indifferent.

31. How quick does it take a pension to be documented at the Pension Directorate as soon as discharged or retired?

a. 1-5 months
b. 6-10 months
c. 17-15 months
d. 16 months and above

32. What do you think are the causes of delay in the documentation process of pensioners at the Pension Directorate?

a. Undue administrative bottlenecks
b. Corruptive intent of Pension officials. If left unsupervised
c. Breakdown in communication links
d. Retirees ignorance of handling their documentation
e. The inability of the command manning and records to up date and send the required records on time
f. All of the above
g. If others please specify …

33. What level of improvement will you like to be put in place at the Pension
Office?

a. Decentralization of offices/departments
b. Engagement of competent hands
c. Reorganizing payees per local government area of origin

d. Reorganizing payees per arm of services
e. Reorganizing payees per Division/Equivalent Arm of regiment.
f. Reorganizing payees per state of origin.
g. Reorganizing payees per geopolitical zone.

34. How long have you been on pensions?

a. Very long (Over ten years)
b. Not too long (Less than five years)
c. Very recently (Just starting)
d. Yet to commence/quality for pension.

35. What financial service improvements would you suggest should be put in place as a relief to pension burden.

a. Continue present arrangements by Pension authority.
b. Be paid directly through 1st generation bank at your local government area or adjacent local government area
c. Create Pension department at the six geopolitical zones to manage all pension affairs of their indigenes.

36. Do you perceive any risk by Pension Directorate patronage of new generation bank

a. Very risky
b. Inconvenient
c. Not risky at all
d. Inadequate security to fund providers financial interest.

37. Would you prefer one off capital sum payment for life in lieu of monthly pensions based on service age and attained age bracket?

a. Yes
b. No

38. If government offers the one off capital sum payment, do you consider assessment of payees per Local Government Area of origin realistic? If not, suggest ways payees can best be determined.

39. Owing to financial resources constraints to execute nationwide military pensioners one-off capital sum payment, indicate your acceptance of the priority/ranking of payee groups:

Following specified
h. Civil war veterans and senior personnel
i. NA and 63NA
j. 79NA and Juniors
k. Six states payees per financial year till everybody gets paid.

a. Accepted the above agreement prioritization
b. Not accepted the above payee prioritization
c. Other specification you wish to suggest.

40. Indicate your acceptance or rejection of the following proposal made to the Government in implementing one off capital sum payment to clear an existing pensioners backlog preparatory to pension privatization.

i. All pensioners 60 years and less; 15 years bulk pension payment
ii. All pensioners 61-70; 10 years bulk pension payment
iii. All pensioners above 70 years; 5 years bulk pension payment
iv. If others please specify …

a. Recommended capital sum accepted
b. Recommended capital sum not accepted.

41. Do you support concurrent operations of the suggested payment procedural reform and iterative capital sum payment in the order of 6 states per financial year until the entire federation (36 states) is covered before total switchover to contributory and privatized military service pension scheme?

a. Yes I do
b. No Id not
c. Other suggestion you may wish to offer.

42. Do you support continuing placement of military service pension appropriation under recurrent item of expenditure or imperative appropriate reclassification to consolidated revenue or first line charge?

a. I support the existing government misclassification
b. I appeal for government rightful reclassification.

SECTION C: FOR ACTIVE SERVICE PERSONNEL ONLY

Please read narrative, before making your responses in this section.

In several training seminar and workshop for a, the Federal government has been advised by financial experts and analysts to change the present pension scheme. There had been also series of agitation for a contributory funding scheme to be established in the place of the present system. The management of the scheme should be contracted to either 1st generation banks or NICON or any other reputable pension funds management consultants. This consultant will be fully responsible to retirees pension services and maintenance. In such arrangements, an agreed determined ratio of monthly contributions between personnel's on active service and the military authorities be set aside as savings for pension funding of personnel's on retirement. The individual retiree should be free to arrange with the employed pension managers to either receive regular pension based on amount saved to the date of retirement or a one off payment capital sum. Under such situation, all payees must have history of individual account set up while in service. This will totally eliminate ghost pensioner's phenomenon currently being speculated. These phenomena will relieve the federal government of heavily continuous financial bidden. The contribution of individual service personnel will not exceed 3-5% of his gross pay while the government will compliment with 15-17% on monthly basis. For young retirees with minimum pension service age, pension drawing commencement should be restricted to attainment of 50 years of age, or death occurrence before attaining 50 years of age.

43. Having read through this narrative, do you support introduction of contributive flexible pension scheme for the military?

a. Yes
b. No

44. How much contribution are you willing to make as % of your gross income?

i. 2 ½%

ii. 3%
iii. 3 ½%
iv. 4%
v. 5%

45. Do you support transferring pension management from Pension Directorate to appointed financial experts such as first generation banks or reputable pension funds managers?

a. Yes
b. No

46. Indicate your service entry age bracket

a. 12 – 14 years (NMS boys)
b. 16-19 years (Depot entry point)
c. 19-22 years (NDA entry point)

47. Please indicate service contract type:

a. Regular
b. Short service
c. Re-engagement
d. Recruitment.

48. Given your service entry circumstances what will be your age bracket on 1st ROD?
a. Less than 54 years
b. 54 – 55 years
c. 56 – 60 years

49. How many years of service did you intend at your initial engagement?

a. Less than 10 years
b. 10 – 15 years
c. 15 – 20 years
d. 21 – 35 years

50. What post military service skills/vocations or professions do you intend to acquire or develop while in the active military service?

a. Handicraft
b. Medical/paramedical practitioner
c. Consultancy services
d. Farming
e. Business

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APPENDIX 3: Military Service Retirement Benefit

	Years of service	Gratuity as percentage of final salary	Pension as percentage of final salary
1	15	100	30
2	16	110	32
3	16	110	32
4	10	110	32
5	16	110	32
6	34	290	68
7	35	300	70

Source: Nigeria's Pension Act 103 of 1979

APPENDIX 4: SPSS COMPUTER PRINTOUT

Q1 Intended/present occupation on retiremen

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Farming	1	62	17.2	18.6	18.6
Trading	2	31	08.6	09.3	27.9
Handicap (without a	3	5	1.4	1.5	29.4
Industrialist/manufa	5	2	0.6	0.6	30.0
Private business	6	10	2.8	3.0	93.4
Unemployed	7	201	55.8	60.4	96.4
Others	8	10	2,8	3.0	100.0
		12	3.3	3.6	
	.	27	7.5	Missing	
	Total	360	100.0	100.0	

Valid cases 333 Missing cases 27

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Q2 Gender

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Male	1	287	79.7	83.4	83.4
Female	2	57	15.8	16.6	100.0
	3	16	4.4	missing	
	Total	360	100.0	100.0	

Valid cases 344 Missing cases 16

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Q3 Marital

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Single	1	71	19.7	20.2	20.2
Married	2	267	74.2	76.1	96.3
Divorced	3	4	1.1	1.1	97.4
Separated	4	4	1.1	1.1	98.6
Widowed		5	1.4	1.4	100.0
		9	2.5		
	Total	360	100.0	100.0	

Valid cases 351 Missing cases 09

Q4A Age on retirement

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Below 60 years	1	284	75.9	90.7	90.7
61-70 years	2	27	7.5	08.6	99.4
Above 70 yrs	.	2	.6	6.	100.0
		47	13.1	Missing	
	Total	48	100.0	100.0	

Valid cases 313 Missing cases 47

- -

Q4B Presnet age

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Below 60 years	1	294	81.7	88.3	88.3
61-70 years	2	28	07.8	08.4	96.7
Over 70 years	3	11	3.1	3.3	100.0
	.	27	7.5	Missing	
	Total	360	100.0	100.0	

Valid cases 333 Missing cases 27

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Q5 Area of specialisation

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Gen Duties	1	68	18.9	20.1	20.1
Military related ski	2	32	08.9	09.4	29.5
Admn and mgt	3	139	38.6	41.0	70.5
clerical duties	4	51	14.2	15.0	85.5
Building and constru	5	10	2.8	2.9	88.5
Others	8	33	9.2	9.7	98.2
	.	5	1.4	1.5	99.7
		1	0.3	0.3	100.0
		21	5.8	Missing	
	Total	360	100.0	100.0	

Valid cases 339 Missing cases 21

Q6 Years of military service

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Below 10yrs	1	45	12.5	13.2	13.2
10-20 years	2	148	41.1	43.5	56.8
21-30 years	3	76	21.1	22.4	79.1
31-35 years	4	64	17.8	18.8	97.9
	.	7	01.9	2.1	100.0
		20	5.6	Missing	
	Total	360	100.0	100.0	

Valid cases 340 Missing cases 20

- -

Q7 Year of discharge/retirement

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1970-1980	2	3	0.8	1.1	1.1
1981-1990	3	20	5.6	7.1	08.2
1991-2000	4	36	10.0	12.9	21.1
2001 till date	5	50	13.9	17.9	38.9
	.	171	47.5	61.1	100.0
		80	22.2	Missing	
	Total	360	100.0	100.0	

Valid cases 280 Missing cases 80

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Q8 Are your pension emolument paid regularl

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	33	09.2	12.2	12.2
No	2	237	65.8	87.8	100.0
	3	90	25.0	Missing	
	Total	360	100.0	100.0	

Valid cases 270 Missing cases 90

Q9 At what monthly interval is your pension

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1-2 months	1	8	2.2	3.0	3.0
3-4 months	2	97	26.9	35.9	38.9
5-6 months	3	63	17.5	23.0	62.2
7-8 months	4	9	2.5	3.3	65.6
Unpredictable	7	6	1.7	2.2	67.8
		4	1.1	1.5	
		83	23.1	30.7	
	.	90	25.0	Missing	
	Total	48	100.0	100.0	

Valid cases 270 Missing cases 90

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Q10 What category of disengagement do you fa

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Disability	1	16	4.4	5.6	5.6
Dismissal	2	8	2.2	2.8	8.4
Voluntary	3	200	55.6	69.7	78.0
Compulsory	4	34	9.4	11.8	89.9
Demobilisation	5	23	6.4	8.0	97.9
Not entitled to pens	6	03	0.8	1.0	99.0
Deserton	7	03	0.8	1.0	100.0
	.	73	20.3	Missing	
	Total	360	100.0	100.0	

Valid cases 360 Missing cases 73

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Q11 Were you engaged during the last civil w

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	153	42.5	49.5	49.5
No	2	156	43.3	50.5	100.0
	.	51	14.2	Missing	
	Total	360	100.0	100.0	

Valid cases 309 Missing cases 51

Q12 If yes, did you sustain any injury?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	55	15.3	24.0	24.0
No	2	174	48.3	76.0	100.0
	.	131	36.4	Missing	
	Total	360	100.0	100.0	

Valid cases 229 Missing cases 131

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Q13 If yes, what is the degree of injury?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Very Serious	1	13	3.6	15.1	15.1
Serious	2	18	5.0	20.9	36.0
Not very Serious	3	15	4.2	17.4	53.5
Not serious at all	4	25	6.9	29.1	82.6
Minor	5	15	4.2	17.4	100.0
	.	274	76.1	Missing	
	Total	360	100.0	100.0	

Valid cases 86 Missing cases 274

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Q14 What percentage of disability was approv

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Below 20%	1	37	10.3	49.3	49.3
21 - 40%	2	18	5.0	24.0	73.3
41 - 60%	3	11	3.1	14.7	88.0
61 - 70%	4	6	1.7	08.0	96.0
Above 70%	5	3	0.8	04.0	100.0
	.	285	79.2	Missing	
	Total	360	100.0	100.0	

Valid cases 75 Missing cases 285

Q15 What role did intengence unit play durin

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Exit ID card issued	1	102	28.3	40.8	40.8
Had nothing to do on	2	59	16.4	23.6	64.4
security clearance i	3	54	15.0	21.6	86.0
control and disengag	4	5	1.4	2.0	88.0
all documents issues	5	25	6.9	10.0	98.0
others	6	5	1.4	2.0	100.0
	.	110	30.6	Missing	
	Total	360	100.0	100.0	

Valid cases 250 Missing cases 110

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Q16 Did the intelligence unit document you

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	179	49.7	61.1	61.1
No	2	114	31.7	38.9	100.0
	.	67	18.6	Missing	
	Total	360	100.0	100.0	

Valid cases 293 Missing cases 67

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Q17 Who issued your ID card during initial e

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Intelligence unit	1	182	50.6	57.1	57.1
Records office	2	23	6.4	7.2	64.3
Training depot	3	82	22.8	25.7	90.0
Training and doctrin	4	7	1.9	2.2	92.2
First serving unit	5	18	5.0	5.6	97.8
Others	6	7	1.9	2.2	100.0
	.	41	11.4	Missing	
	Total	360	100.0	100.0	

Valid cases 319 Missing cases 41

Q18 Who retrived your ID card on final disen

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Intelligence unit	1	91	25.3	32.4	32.4
Last unit served	2	150	41.7	53.4	85.8
Meaning and record	3	14	3.9	5.0	90.7
Pension directorate	4	16	4.4	5.7	96.4
Still in possession	5	06	1.7	2.1	98.8
Others	6	4	1.1	1.4	100.0
	.	79	21.9	Missing	
	Total	360	100.0	100.0	

Valid cases 281 Missing cases 79

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Q19 Do you consider that most retirements of

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	262	72.8	79.4	79.4
No	2	68	18.9	20.6	100.0
	.	30	8.3	Missing	
	Total	360	100.0	100.0	

Valid cases 330 Missing cases 30

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Q20 Why is most retirement in the military r

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Unawares	1	53	14.7	16.2	16.2
Lack of gvt plan	2	60	16.7	18.3	34.6
Lack of saving schem	3	27	7.5	8.3	42.8
Lack of contribution	4	11	3.1	3.4	46.2
Lack of empl retire	5	12	3.3	3.7	49.8
Lack of retir invest	6	21	5.8	6.4	56.3
All of the above	7	143	39.7	43.7	100.0
	.	33	9.2	Missing	
	Total	360	100.0	100.0	

Valid cases 327 Missing cases 33

Q21 Have you acquired sufficient training an

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	211	58.6	62.8	62.8
No	2	125	34.7	37.2	100.0
	.	24	6.7	Missing	
	Total	360	100.0	100.0	

Valid cases 327 Missing cases 33

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Q22 What easier method of payments do you re

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Directorate-banks	1	163	45.3	49.8	49.8
LGA-Banks	2	37	10.3	11.3	61.2
banks geopol zone	3	77	21.4	23.5	84.7
state gvt banks-acco	4	33	9.2	10.1	94.8
statusquo	5	14	3.9	4.3	99.1
Others	6	3	0.8	0.9	100.0
		33	9.2	Missing	
	Total	360	100.0	100.0	

Valid cases 327 Missing cases 33

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Q23 What do you think happended to the cummu

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
selfish intersts	1	169	46.9	52.0	52.0
gvt interest	2	21	5.8	6.5	58.5
private pockets	3	58	16.1	17.8	76.3
Lack of acountabilit	4	73	20.3	22.5	98.8
	36	4	1.1	1.2	100.0
	.	35	09.7	Missing	
	Total	360	100.0	100.0	

Valid cases 325 Missing cases 35

Q24 What are the checks and control measures

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Regular audit	1	53	14.7	16.6	16.6
Regular change of of	2	58	16.1	18.2	34.8
Seasonal review of r	3	29	8.1	9.1	43.9
Record maintenance o	4	22	6.1	6.9	50.8
Full powers to direc	5	14	3.9	4.4	55.2
Decentralisation	6	109	30.3	34.2	89.3
Establish workable m	7	32	8.9	10.0	99.4
	.	2	00.6	0.6	100.0
		41	11.4	Missing	
	Total	360	100.0	100.0	

Valid cases 319 Missing cases 41

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Q25 What do you consider as responsible for

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Force reorganisation	1	20	5.6	6.3	6.3
Lack of automated in	2	59	16.4	18.6	24.8
Lack of supervision	3	45	12.5	14.2	39.0
Nonchallant attitude	4	52	14.4	16.4	55.3
Lack of regular chec	5	22	06.1	06.9	62.3
All of the above	7	16	04.4	05.0	67.3
	.	103	28.6	32.4	99.7
		1	.3	.3	100.0
		42	11.7	Missing	
	Total	360	100.0	100.0	

Valid cases 318 Missing cases 42

Q26 Do you consider government pension fundi

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	107	29.7	32.0	32.0
No	2	227	63.1	68.0	100.0
	.	26	07.2	Missing	
	Total	360	100.0	100.0	

Valid cases 334 Missing cases 26

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Q27 What do you consider is responsible for

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Lack of faith	1	26	7.2	8.0	8.0
Gvt complecency	2	30	8.3	9.2	17.1
selfish interest	3	97	26.9	29.7	46.8
Insufficiency of fun	4	67	18.6	20.5	67.8
All of the above	5	106	29.4	32.4	99.7
Others	6	1	.3	.3	100.0
	.	33	9.2	Missing	
	Total	360	100.0	100.0	

Valid cases 327 Missing cases 33

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Q28 Do you think that Fed Govt is skeptical

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	201	55.8	62.6	62.6
No	2	120	33.3	37.4	100.0
	.	39	10.8	Missing	
	Total	360	100.0	100.0	

Valid cases 321 Missing cases 39

Q29 What do you consider responsible for gov

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Budget misclassifica	1	31	8.6	9.7	9.7
Inadequate fin prov	2	65	18.1	20.2	29.9
Institutional weakne	4	19	5.3	5.9	35.8
Unplanned retirement	5	43	11.9	13.4	49.2
All of the above	6	49	13.6	15.3	64.5
Others	7	6	1.7	1.9	100.0
	.	39	10.8	Missing	
	Total	360	100.0	100.0	

Valid cases 321 Missing cases 39

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Q30 How regular is the pension system and op

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Regularly	1	30	8.3	9.6	9.6
Not regularly	2	174	48.3	55.6	65.2
Not audited at all	3	50	13.9	16.0	81.2
Idifferent	4	59	16.4	18.8	100.0
	.	47	13.1	Missing	
	Total	360	100.0	100.0	

Valid cases 313 Missing cases 47

Q31 How quick does it take a pensioner to be

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1-5 months	1	112	31.1	37.1	37.1
6-10 months	2	101	28.1	33.4	70.5
11-15 months	3	19	5.3	6.3	76.8
>15months	4	70	19.4	23.2	100.0
	.	58	16.1	Missing	
	Total	360	100.0	100.0	

Valid cases 302 Missing cases 58

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Q32 What do you think are the causes of dela

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Adm bottlenecks	1	55	15.3	17.0	17.0
Corruptive intent	2	74	20.6	22.9	39.9
Ignorance	4	11	3.1	3.4	43.3
Adm weakness	5	10	2.8	3.1	46.4
All of the above	6	48	13.3	14.9	61.3
Others	7	117	32.5	36.2	97.5
	.	8	2.2	2.5	100.0
		37	10.3	Missing	
	Total	360	100.0	100.0	

Valid cases 323 Missing cases 37

Q33 What level of improvement would you like

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Decentralisation	1	92	25.6	28.9	28.9
Hire Competent hands	2	50	13.9	15.7	44.7
LGA payee reorganisa	3	54	15.0	17.0	61.6
Arm of services reor	4	22	6.1	6.9	68.6
Division reorgnisati	5	37	10.3	11.6	80.2
State level reorgnis	6	35	9.7	11.0	91.2
Reorgnistion geopol	7	28	07.8	08.8	100.0
	.	42	11.7	Missing	
	Total	360	100.0	100.0	

Valid cases 318 Missing cases 42

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Q34 How long have you been on pensions?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Very long	1	54	15.0	18.6	18.6
Not too long	2	71	19.7	24.5	43.1
Very recently	3	29	8.1	10.0	53.1
Yet to commence	4	136	37.8	46.9	100.0
	6	70	19.4	missing	
	.				
	Total	360	100.0	100.0	

Valid cases 290 Missing cases 70

Q35 What finanicial service improvement woul

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Continue present arr	1	35	9.7	10.8	10.8
LGA Bank payment	2	132	36.7	40.9	51.7
Pension dept geopolz	3	156	43.3	48.3	100.0
	4	37	10.3	missing	
	Total	360	100.0	100.0	

Valid cases 323 Missing cases 37

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Q36 Do you perceive any risk by pension dire

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Very risky	1	147	40.8	44.5	44.5
Inconvenient	2	41	11.4	12.4	57.0
Not risky at all	3	93	25.8	28.2	85.2
Inadequate security	4	49	13.6	14.8	100.0
	.	30	08.3	Missing	
	Total	360	100.0	100.0	

Valid cases 330 Missing cases 30

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Q37 Would you prefer one-off bulk capital su

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	192	53.3	58.7	58.7
No	2	135	37.5	41.3	100.0
	.	33	09.2	Missing	
	Total	360	100.0	100.0	

Valid cases 327 Missing cases 33

Q38 If govt offers the one-off capital sum p

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes to LGA payee	1	214	59.4	71.6	71.6
No to LGA payee	2	54	15.0	18.1	89.6
Others	3	31	8.6	10.4	100.0
	.	61	16.9	Missing	
	Total	360	100.0	100.0	

Valid cases 299 Missing cases 61

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Q39 Owing to fin resource constraints to exe

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Accepted the above	1	163	45.3	62.5	62.5
Not accepted	2	79	21.9	30.3	92.8
Others	3	19	5.9	07.3	100.0
	.	99	27.5	Missing	
		360	100.0	100.0	

Valid cases 261 Missing cases 99

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Q40 Indicate your acceptance or rejection of

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Capital sum accepted	1	198	55.0	71.5	71.5
Capital sum not acce	2	79	21.9	28.5	100.0
	.	83	23.1	Missing	
		360	100.0	100.0	

Valid cases 277 Missing cases 83

Q41 Do you support the gradual adoption of t

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes, I do	1	142	39.4	45.5	45.5
No, I do not	2	161	44.7	51.6	97.1
	.	9	02.5	02.9	100.0
		48	13.3	Missing	
		360	100.0	100.0	

Valid cases 312 Missing cases 48

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Q42 Do you support reclasification of pensio

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
I support gvt miscla	1	46	12.8	15.0	15.0
I appeal for gvt rec	2	260	72.2	85.0	100.0
	.	54	15.0	Missing	
	Total	360	100.0	100.0	

Valid cases 306 Missing cases 54

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Q43 Do you support contributory pension sche

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	182	50.6	64.5	64.5
No	2	100	27.8	35.5	100.0
	4	78	21.7	Missing	
	Total	360	100.0	100.0	

Valid cases 282 Missing cases 78

Q44 How much contribution are you willing to

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
2.5%	1	88	24.4	35.6	35.6
3%	2	39	10.8	15.8	51.4
3.5%	3	23	6.4	09.3	60.7
4%	4	17	04.7	06.9	67.6
5%	5	80	22.2	32.4	100.0
	.	113	31.4	Missing	
	Total	360	100.0	100.0	

Valid cases 247 Missing cases 113

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Q45 Do you support transfer of pension mgt f

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent

Yes	1	192	53.3	62.1	62.1
No	2	117	32.5	37.9	100.0
	.	51	14.2	Missing	
	Total	360	100.0	100.0	

Valid cases 309 Missing cases 51

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Q46 Indicate you service entry age bracket

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
12-15 yrs	1	29	8.1	9.9	9.9
16-19yrs	2	226	62.8	77.1	87.0
20-22 yrs	3	38	10.6	13.0	100.0
	.	67	18.6	Missing	
	Total	360	100.0	100.0	

Valid cases 293 Missing cases 67

Q47 Please indicate service contract type

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Regular	1	110	30.6	37.3	37.3
Reengagement	3	12	3.3	4.1	41.4
Recruitment	4	29	08.1	09.8	51.2
	5	144	40.0	48.8	100.0
	.	65	18.1	Missing	
	Total	360	100.0	100.0	

Valid cases 295 Missing cases 65

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Q48 Given your service entry circumstances,

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	0	237	65.8	83.2	83.2
<54yrs	1	27	07.5	09.5	92.6
54-55 yrs	2	21	5.8	07.4	100.0
56-60 yrs	3	75	20.8	Missing	
	Total	260	100.0	100.0	

Valid cases 285 Missing cases 75

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Q49 How many years of service did you intend

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
<10 yrs	1	54	15.0	18.6	18.6
10-15yrs	2	125	34.7	43.0	61.5
15-20 yrs	3	61	16.9	21.0	82.5
21-35 yrs	4	51	14.2	17.5	100.0
	.	69	19.2	Missing	
	Total	360	100.0	100.0	

Valid cases 291 Missing cases 69

Q50 What post-military service skills/profes

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Handcraft	1	9	2.5	3.1	3.1
Medical practioner	2	10	2.8	3.5	6.6
Consultancy services	3	64	17.8	22.2	28.8
Farming	4	46	12.8	16.0	44.8
Business	5	159	44.2	55.2	100.0
	.	72	20.0	Missing	
	Total	360	100.0	100.0	

Valid cases 40 Missing cases 8

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Variable WELFARE
By Variable Q9 At what monthly interval is your pension

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.

Between Groups	6	1136.9913	189.4986	17.6524
.0000				
Within Groups	263	2823.3087	10.7350	
Total	269	3960.3000		

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q9 At what monthly interval is your pension

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
MEAN(J)-MEAN(I) >= 2.3168 * RANGE * SQRT(1/N(I) + 1/N(J))
with the following value(s) for RANGE:

Step	2	3	4	5	6	7
RANGE	2.79	2.93	3.02	3.10	3.16	3.21

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q9	Unpredic	11-12 mo	7-8 mont	9-10 mon	5-6 mont	3-4 mont	1-2 mont
7.6747	Unpredic							
9.0000	11-12 mo							
10.3333	7-8 mont	*						
10.3333	9-10 mon							
11.4286	5-6 mont	*						
12.2990	3-4 mont	*						
14.0000	1-2 mont	*	*	*		*		

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q47 Please indicate service contract type

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	3	192.1415	64.0472	3.3250	.0201
Within Groups	291	5605.3636	19.2624		
Total	294	5797.5051			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q47 Please indicate service contract type

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
MEAN(J)-MEAN(I) >= 3.1034 * RANGE * SQRT(1/N(I) + 1/N(J))
with the following value(s) for RANGE:

Step	2	3	4
RANGE	2.79	2.93	3.02

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q47	R e g u l a r	R e c r u i t m	R e e n g a g e	S o r t s e r v
7.9000	Regular				
9.4861	Recruitm	*			
9.5172	Reengage				
10.2500	Sortserv				

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q18 Who retrived your ID card on final disen

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	5	135.2956	27.0591	1.6824	.1389
Within Groups	275	4422.9819	16.0836		
Total	280	4558.2776			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q18 Who retrived your ID card on final disen

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
  MEAN(J)-MEAN(I) >= 2.8358 * RANGE * SQRT(1/N(I) + 1/N(J))
  with the following value(s) for RANGE:

Step	2	3	4	5	6
RANGE	2.79	2.93	3.02	3.10	3.16

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q18	Still in	Others	Intellig	Pension	Last uni	Manning
5.8333	Still in						
8.7500	Others						
9.9451	Intellig	*					
10.0000	Pension	*					
10.2867	Last uni	*					
11.0000	Manning	*					

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q30 How regular is the pension system and op

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	3	303.5841	101.1947	6.4954	.0003
Within Groups	309	4814.0453	15.5794		
Total	312	5117.6294			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q30 How regular is the pension system and op

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
  MEAN(J)-MEAN(I) >= 2.7910 * RANGE * SQRT(1/N(I) + 1/N(J))
  with the following value(s) for RANGE:

Step	2	3	4
RANGE	2.79	2.93	3.02

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q30	Idiffere	Not audi	Not regu	Regularl
8.0000	Idiffere				
9.4600	Not audi				
10.4425	Not regu	*			
10.9000	Regularl	*			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q4A Age on retirement

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	2	95.6778	47.8389	2.5624	.0788
Within Groups	310	5787.5810	18.6696		
Total	312	5883.2588			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q4A Age on retirement

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
MEAN(J)-MEAN(I) >= 3.0553 * RANGE * SQRT(1/N(I) + 1/N(J))
with the following value(s) for RANGE:

Step	2	3
RANGE	2.79	2.93

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q4A	B 6 A e 1 b l - o o 7 v w 0 e 6 y 7 0 e 0
9.6444	Below 60	
10.0000	61-70 ye	
16.5000	Above 70	* *

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q6 Years of military service

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	4	185.2314	46.3079	2.4857	.0434
Within Groups	335	6241.0627	18.6300		
Total	339	6426.2941			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q6 Years of military service

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
MEAN(J)-MEAN(I) >= 3.0521 * RANGE * SQRT(1/N(I) + 1/N(J))
with the following value(s) for RANGE:

Step	2	3	4	5
RANGE	2.79	2.93	3.02	3.09

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q6	a B 1 3 2 b e 0 1 1 o l - - - v o 2 3 3 e w 0 5 0 3 1 y y y 5 0 e e e
7.8571	above 35	
7.8889	Below 10	
9.3851	10-20 ye	*
9.4688	31-35 ye	
10.3289	21-30 ye	*

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q22 What easier method of payments do you re

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	5	225.8836	45.1767	2.7985	.0172
Within Groups	321	5181.9696	16.1432		
Total	326	5407.8532			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q22 What easier method of payments do you re

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
MEAN(J)-MEAN(I) >= 2.8411 * RANGE * SQRT(1/N(I) + 1/N(J))
with the following value(s) for RANGE:

Step	2	3	4	5	6
RANGE	2.79	2.93	3.02	3.09	3.15

(*) Indicates significant differences which are shown in the lower triangle

Mean	Q22	s t a t u s q u	D i r e c t o r	b a n k s - B a n k	L G A - g e	s t a t e g v
4.6667	others					
8.0714	statusqu					
9.4663	Director					
9.9091	banks ge	*				
10.1081	LGA-Bank	*				
11.3939	state gv	*	*	*		

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q44 How much contribution are you willing to

Analysis of Variance

Source	D.F.	Sum of Squares	Mean Squares	F Ratio	F Prob.
Between Groups	4	112.2406	28.0602	1.3475	.2530
Within Groups	242	5039.5003	20.8244		
Total	246	5151.7409			

- - - - - O N E W A Y - - - - -

Variable WELFARE
By Variable Q44 How much contribution are you willing to

Multiple Range Tests: Duncan test with significance level .05

The difference between two means is significant if
MEAN(J)-MEAN(I) >= 3.2268 * RANGE * SQRT(1/N(I) + 1/N(J))
with the following value(s) for RANGE:

Step	2	3	4	5
RANGE	2.79	2.94	3.03	3.10

- No two groups are significantly different at the .050 level